



UMLALAZI MUNICIPALITY

UNAUDITED ANNUAL FINANCIAL STATEMENTS

2019/2020

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Local Authority (Municipality)
Members of the Council	TB Zulu (Mayor and Chairperson of the Executive Committee) BP Simelane (Deputy Mayor and Member of the Executive Committee) ME Dlamini (Chief Whip) CT Dlamini (Speaker) CM Gamede (Member of the Executive Committee) MM Khanyile (Member of the Executive Committee) SB Larkan (Member of the Executive Committee) NL Ngidi (Member of the Executive Committee) JK Powel (Member of the Executive Committee) MH Qwabe (Member of the Executive Committee) I Woolatt (Member of the Executive Committee) QT Xulu (Member of the Executive Committee)
Councillors	EZ Jaffe LB Biyela ZL Buthelezi SS Cele SV Chamane JC Erasmus AB Dlamini SB Dlamuka M Dladla IMM Filand M Govindsamy TV Jiyane NNF Luvuno BC Magwaza JT Magwaza SG Mbambo N Mbuyisa SF Mdletshe MF Mdluli SN Mkhize M Mnqayi MB Mthiyane WP Mzimela S Naicker MT Ncanana MM Ngema WL Ngema BD Ngidi SF Ngonyama NB Nkala MZ Nkwanyana SS Ntsele TE Ntsele MG Ntuli MMM Ntuli

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

General Information

NG Ntuli
BN Shandu
PTO Shange
BC Sithole
HS Thango
NS Zulu
BL Zungu

Grading of local authority	Grade 03
Accounting Officer	RP Mnguni
Chief Financial Officer (CFO)	ZN Mhlongo
Business address	Hutchinson Street Eshowe 3815
Postal address	P O Box 37 Eshowe 3815
Bankers	First National Bank
Auditors	Auditor-General South Africa
Preparer	The financial statements were internally compiled by: SS Mbuyazi Deputy Chief Financial Officer
Email address	mm@umlalazi.org.za
Telephone number	035-4733474
Fax number	035-4744733

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Index

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

	Page
Certification by the Accounting Officer	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 11
Appropriation Statement	12 - 16
Accounting Policies	17 - 52
Notes to the Financial Statements	52 - 112
Appendices:	
Appendix A: Schedule of External loans	

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Certification by the Accounting Officer

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the financial statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Municipality sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Municipality and all employees are required to maintain the highest ethical standards in ensuring the Municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the Municipality. While operating risk cannot be fully eliminated, the Municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the Municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. The financial statements are prepared on the basis that the Municipality is a going concern

The Accounting Officer certify that the salaries, allowances and benefits of Councillors as disclosed in note 36 of these financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of the Public Office Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Co-operative Governance and Traditional Affairs' determination in accordance with this Act.



Accounting Officer

30 October 2020

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories	4	3 233 412	3 116 475
Receivables from non-exchange transactions	6	11 307 747	23 990 729
Receivables from Exchange Transactions	5	20 976 925	15 318 635
Current Portion of Loans Receivable	12	15 349	15 349
Cash and cash equivalents	3	126 350 309	113 193 775
		161 883 742	155 634 963
Non-Current Assets			
Investment property	9	25 820 000	18 782 000
Community Assets	7	808 693 561	799 693 370
Intangible assets	8	346 938	572 988
Heritage assets	10	10 311 344	10 311 344
Investments	11	1 000	1 000
Loans Receivable	12	7 508	22 858
		845 180 351	829 383 560
Total Assets		1 007 064 093	985 018 523
Liabilities			
Current Liabilities			
Loans Payable	18	342 816	342 816
Payables from exchange transactions	14	36 807 550	35 646 943
VAT payable	15	2 173 693	1 000 066
Consumer deposits	13	2 797 447	2 561 779
Unspent conditional grants and receipts	16	1 707 322	4 458 761
Provisions	17	13 892 177	10 924 065
Current portion of employee benefit obligation	19	1 235 294	1 450 000
		58 956 299	56 384 430
Non-Current Liabilities			
Loans Payable	18	2 838 078	3 191 645
Employee benefit obligation	19	31 348 585	20 601 000
		34 186 663	23 792 645
Total Liabilities		93 142 962	80 177 075
Net Assets		913 921 131	904 841 448
Reserves			
Housing operating account	20	5 063 138	8 419 820
Accumulated surplus	21	908 857 993	896 421 628
Total Net Assets		913 921 131	904 841 448

* See Note 62 & 60 & 59

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	82 909 554	80 994 217
Rental of facilities and equipment	24	1 389 588	1 622 412
Electricity and refuse - Interest charged	25	693 496	1 034 976
Agency services	27	1 091 785	912 246
Licences and permits	28	1 512 059	2 578 710
Other income	29	3 505 148	1 948 027
Interest earned - external investments	26	10 198 260	4 787 326
Fair value adjustments	48	7 038 000	903 000
Total revenue from exchange transactions		108 337 890	94 780 914
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	31	55 345 129	54 035 045
Licences and permits (Non-exchange)	32	3 878	10 870
Transfer revenue			
Government grants & subsidies	34	290 727 178	271 364 642
Fines and penalties	33	7 324 260	39 560 191
Total revenue from non-exchange transactions		353 400 445	364 970 748
Total revenue	22	461 738 335	459 751 662
Expenditure			
Employee related costs	35	159 243 479	132 143 192
Remuneration of councillors	36	22 326 141	21 509 843
Depreciation and amortisation	37	44 621 615	44 979 788
Impairment loss	38	4 475 245	7 173 728
Finance costs	39	405 720	447 469
Lease rentals on operating leases	43	3 177 985	3 209 008
Debt Impairment	46	1 417 059	36 550 068
Bad debts written off	47	1 707 753	2 725 748
Bulk purchases	40	57 485 103	51 506 479
Contracted services	41	106 646 033	101 908 039
Transfers and subsidies	42	4 408 912	5 285 959
Loss on disposal of assets and liabilities	30	75 572	54 405
Other materials	44	8 665 231	10 033 237
General expenses	45	34 344 078	31 859 312
Total expenditure		448 999 926	449 386 275
Surplus for the year		12 738 409	10 365 387

* See Note 62 & 60 & 59

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

Figures in Rand	Housing Operating Fund	Accumulated surplus	Total net assets
Opening balance as previously reported	10 228 866	882 980 074	893 208 940
Adjustments			
Correction of errors	-	12 000	12 000
Change in accounting policy	-	(444 668)	(444 668)
Balance at 01 July 2018 as restated*	10 228 866	882 547 406	892 776 272
Changes in net assets			
Transfer to CRR (Interest received on short term deposits)	-	2 909 665	2 909 665
Public contributions and receipts(Interest received on short term deposits)	-	599 170	599 170
Transfer to fund housing projects	(1 561 659)	-	(1 561 659)
Provision for doubtful debt	(113 638)	-	(113 638)
Bad debts written off	(610 971)	-	(610 971)
Public contributions	497	-	497
Interest received	476 725	-	476 725
Net income (losses) recognised directly in net assets	(1 809 046)	3 508 835	1 699 789
Surplus for the year	-	10 365 387	10 365 387
Total recognised income and expenses for the year	(1 809 046)	13 874 222	12 065 176
Total changes	(1 809 046)	13 874 222	12 065 176
Restated* Balance at 01 July 2019	8 419 820	896 421 624	904 841 444
Changes in net assets			
Surplus for the year	-	12 738 409	12 738 409
Net Surplus/(deficit) on the Housing Development Account	(3 658 722)	-	(3 658 722)
Interest on Investment backing up the Fund	302 040	(302 040)	-
Total changes	(3 356 682)	12 436 369	9 079 687
Balance at 30 June 2020	5 063 138	908 857 993	913 921 131

Note(s)

20

* See Note 62 & 60 & 59

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Taxation		71 276 864	45 926 204
Sale of goods and services		89 833 688	91 686 873
Government grants		287 975 739	274 891 207
Interest income		10 198 260	4 787 326
		459 284 551	417 291 610
Payments			
Employee cost		(171 456 417)	(148 649 750)
Suppliers		(211 572 179)	(197 047 737)
Finance costs		(405 720)	(447 469)
Transfers and grants		(4 408 912)	(5 285 959)
		(387 843 228)	(351 430 915)
Net cash flows from operating activities	50	71 441 323	65 860 695
Cash flows from investing activities			
Purchase of community assets	7	(58 307 968)	(52 401 707)
Proceeds from sale of community assets	7	361 396	2 201
Purchase of intangible assets	8	-	(336 250)
Proceeds from sale of loans receivable		15 350	626 320
Net cash flows from investing activities		(57 931 222)	(52 109 436)
Cash flows from financing activities			
Repayment of loans payable		(353 567)	(353 723)
Net cash flows from financing activities		(353 567)	(353 723)
Net increase/(decrease) in cash and cash equivalents		13 156 534	13 397 536
Cash and cash equivalents at the beginning of the year		113 193 775	99 796 239
Cash and cash equivalents at the end of the year	3	126 350 309	113 193 775

* See Note 62 & 60 & 59

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and	Deference % and Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	85 893 430	836 000	86 729 430	82 909 554	(3 819 876)	3.35 %
Rental of facilities and equipment	1 449 700	-	1 449 700	1 389 588	(60 112)	4.15%
Agency services	1 836 420	-	1 836 420	1 091 785	(744 635)	37% Ref: 001
Licences and permits	2 370 630	-	2 370 630	1 512 059	(858 571)	81% Ref: 002
Other income	2 220 200	-	2 220 200	3 014 635	794 435	36% Ref: 003
Interest received - investment	5 145 320	4 000 000	9 145 320	10 198 260	1 052 940	5.9 %
Total revenue from exchange transactions	98 915 700	4 836 000	103 751 700	100 115 881	(3 635 819)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	56 410 880	99 020	56 509 900	55 345 129	(1 164 771)	2.6%
Licences and permits (Non-exchange)	13 290	-	13 290	3 878	(9 412)	70% Ref: 004
Transfer revenue						
Government grants & subsidies	290 395 340	10 727 920	301 123 260	290 727 178	(10 396 082)	01%
Fines and penalties	47 979 610	-	47 979 610	8 017 755	(39 961 855)	83% Ref: 005
Total revenue from non-exchange transactions	394 799 120	10 826 940	405 626 060	354 093 940	(51 532 120)	
Total revenue	493 714 820	15 662 940	509 377 760	454 209 821	(55 167 939)	
Expenditure						
Employee related costs	(143 744 860)	(3 921 910)	(147 666 770)	(158 752 978)	(11 086 208)	9.8% Ref: 006
Remuneration of councillors	(22 957 210)	-	(22 957 210)	(22 326 141)	631 069	2.7%
Depreciation, impairment and amortisation	(52 290 040)	-	(52 290 040)	(49 096 859)	3 193 181	1.9%
Finance costs	(310 190)	(4 500)	(314 690)	(405 720)	(91 030)	28% Ref: 007
Lease rentals on operating leases	(3 375 660)	(368 830)	(3 744 490)	(3 177 985)	566 505	15% Ref: 008
Debt impairment	(46 201 600)	-	(46 201 600)	(3 124 812)	43 076 788	85% Ref: 009
Bulk purchases	(59 531 250)	500 000	(59 031 250)	(57 485 103)	1 546 147	2.6%
Contracted services	(117 535 370)	(4 762 990)	(122 298 360)	(106 646 033)	15 652 327	08%
Transfers and subsidies	(5 205 530)	(1 151 130)	(6 356 660)	(4 408 912)	1 947 748	32% Ref: 010
Other materials	(10 799 570)	(492 990)	(11 292 560)	(8 665 231)	2 627 329	23% Ref: 011
General expenses	(32 858 380)	(5 343 900)	(38 202 280)	(34 344 073)	3 858 207	10% Ref: 012
Total expenditure	(494 809 660)	(15 546 250)	(510 355 910)	(448 433 847)	61 922 063	
Operating surplus	(1 094 840)	116 690	(978 150)	5 775 974	6 754 124	
Loss on disposal of assets and liabilities	500 000	(100 000)	400 000	(75 572)	(475 572)	33% Ref: 013
Fair value adjustments	700 000	-	700 000	7 038 000	6 338 000	1319% Ref: 014
	1 200 000	(100 000)	1 100 000	6 962 428	5 862 428	
Operating surplus	105 160	16 690	121 850	12 738 402	12 616 552	

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and	Difference % and Reference budget and actual
Actual amount on comparable basis as presented in the Budget and Actual Comparative Statement	105 160	16 690	121 850	12 738 402	12 616 552	

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and	Deference % and Reference budget and actual
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Budget Differences

Material Differences Between Budget and Actual Amounts

001. Agency services: The variance of 37% is due to the effect of national lockdown, the testing and licencing office has not operated fully for three months.

002. Licences and permits (exchange): The variance of 81% is due to the licences and permits issued being less than anticipated.

003. Other income: The variance of 36% in this line item is due to the actual being more than anticipated .

004. Licences and permits (Non-exchange): The variance of 70% is due to licences and permits being less than anticipated.

005. Fines and penalties: The variance of 83% is due to the fact that the issuing of fines was halted by the National Lockdown and that the TMT contract also ended in April 2020.

006. Employee related cost: The variance of 9.8% is due to the fact that an amount of provision for medical aid as per actuarial valuation came back higher than anticipated. A further higher increase on provision for leave days was eminent as employees could not take thier leaves since they were already on National Lockdown.

007. Finance cost: The variance of 28% is due to the amount budgeted bieng based on actual installements to be paid omiting the interest accrual.

008. Lease rental on operating leases: The variance of 15% is due to the fact the actual amount of lease rental being less than anticipated .

009. Debt impairment: The variance of 85% is attributable to the fact that a significant improvement in debt collection was realised resuting to a decline in outstanding debtors balance which then necessitated that a reversal of dept impairment previously raised be made.

010. Transfers and subsidies: A variance of 32% is due to the low spending on certain line items emanating from the fact that certain sections of the municipality were not fully functional for the major part of financial year.

011. Other materials: A negative variance of 23% is due to the low spending on certail line items emanating from the fact that certain sections of the municipality were not fully functional for the major part of financial year due to COVID 19 Pandemic.

012. General expenditure: A variance of 10% is due to the low spending on certail line items emanating from the fact that certain sections of the municipality were not fully functional for the major part of financial year due to COVID 19 Pandemic.

013. Gain on disposal of assets and liabilities: A negetive variance of 33% is due to the fact that the actual results of the assets disposal process did not yield the anticipated outcomes..

014. Fair value adjustment: A positive variance of R6 338 000 emanate from the valuation of certain investment properties by the property valuer which came back higher than projected values.

015. Reversal of debt impairment: A variance of R8 474 919 is attributable to the fact that a significant improvement in debt collection was realised resuting to a decline in outstanding debtors balance which then necessitated that a reversal of debt impairment previously raised be made.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2020											
Financial Performance											
Property rates	56 410 880	99 020	56 509 900	-		56 509 900	55 345 129		(1 164 771)	98 %	98 %
Service charges	85 893 430	836 000	86 729 430	-		86 729 430	82 909 554		(3 819 876)	96 %	97 %
Investment revenue	5 145 320	4 000 000	9 145 320	-		9 145 320	10 198 260		1 052 940	112 %	198 %
Transfers recognised - operational	250 372 840	9 177 920	259 550 760	-		259 550 760	250 347 177		(9 203 583)	96 %	100 %
Other own revenue	56 712 350	1 450 000	58 162 350	-		58 162 350	22 067 700		(36 094 650)	38 %	39 %
Total revenue (excluding capital transfers and contributions)	454 534 820	15 562 940	470 097 760	-		470 097 760	420 867 820		(49 229 940)	90 %	93 %
Employee costs	(143 744 860)	(3 921 910)	(147 666 770)	-		(147 666 770)	(158 752 978)	-	(11 086 208)	108 %	110 %
Remuneration of councillors	(22 957 210)	-	(22 957 210)	-		(22 957 210)	(22 326 141)	-	631 069	97 %	97 %
Debt impairment	(46 201 600)	-	(46 201 600)			(46 201 600)	(3 124 812)	-	43 076 788	7 %	7 %
Depreciation and asset impairment	(52 290 040)	-	(52 290 040)			(52 290 040)	(49 096 860)	-	3 193 180	94 %	94 %
Finance charges	(310 190)	(4 500)	(314 690)	-		(314 690)	(405 720)	-	(91 030)	129 %	131 %
Materials and bulk purchases	(59 531 250)	500 000	(59 031 250)	-		(59 031 250)	(57 485 103)	-	1 546 147	97 %	97 %
Transfers and Subsidies	(5 205 530)	(1 151 130)	(6 356 660)	-		(6 356 660)	(4 408 912)	-	1 947 748	69 %	85 %
Other expenditure	(164 568 980)	(10 968 710)	(175 537 690)	-		(175 537 690)	(152 908 892)	-	22 628 798	87 %	93 %
Total expenditure	(494 809 660)	(15 546 250)	(510 355 910)	-		(510 355 910)	(448 509 418)	-	61 846 492	88 %	91 %
Surplus/(Deficit)	(40 274 840)	16 690	(40 258 150)	-		(40 258 150)	(27 641 598)		12 616 552	69 %	69 %

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	40 380 000	-	40 380 000	-		40 380 000	40 380 000			-	100 % 100 %
Surplus (Deficit) after capital transfers and contributions	105 160	16 690	121 850	-		121 850	12 738 402		12 616 552	10 454 %	12 113 %
Surplus/(Deficit) for the year	105 160	16 690	121 850	-		121 850	12 738 402		12 616 552	10 454 %	12 113 %

Capital expenditure and funds sources

Total capital expenditure	67 879 000	1 695 510	69 574 510	-		69 574 510	58 307 968		(11 266 542)	84 %	86 %
Sources of capital funds											
Transfers recognised - capital	38 361 000	-	38 361 000	-		38 361 000	38 361 000			-	100 % 100 %
Internally generated funds	29 518 000	1 695 510	31 213 510	-		31 213 510	19 946 968		(11 266 542)	64 %	68 %
Total sources of capital funds	67 879 000	1 695 510	69 574 510	-		69 574 510	58 307 968		(11 266 542)	84 %	86 %

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	39 248 000	(67 891 000)	(28 643 000)	-		(28 643 000)	71 441 323		100 084 323	(249)%	182 %
Net cash from (used) investing	(67 379 000)	(1 696 000)	(69 075 000)	-		(69 075 000)	(57 931 222)		11 143 778	84 %	86 %
Net cash from (used) financing	(343 000)	-	(343 000)	-		(343 000)	(353 567)		(10 567)	103 %	103 %
Net increase/(decrease) in cash and cash equivalents	(28 474 000)	(69 587 000)	(98 061 000)	-		(98 061 000)	13 156 534		111 217 534	(13)%	(46)%
Cash and cash equivalents at the beginning of the year	82 635 000	113 168 000	195 803 000	-		195 803 000	113 193 775		(82 609 225)	58 %	137 %
Cash and cash equivalents at year end	54 161 000	43 581 000	97 742 000	-		97 742 000	126 350 309		(28 608 309)	129 %	233 %

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2019				
Financial Performance				
Property rates				54 035 045
Service charges				80 994 217
Investment revenue				4 787 326
Transfers recognised - operational				223 608 860
Other own revenue				48 570 432
Total revenue (excluding capital transfers and contributions)				411 995 880
Employee costs	-	-	-	(132 135 195)
Remuneration of councillors	-	-	-	(21 509 842)
Debt impairment	-	-	-	(36 550 068)
Depreciation and asset impairment	-	-	-	(52 153 517)
Finance charges	-	-	-	(447 469)
Materials and bulk purchases	-	-	-	(51 506 479)
Transfers and grants	-	-	-	(5 285 959)
Other expenditure	-	-	-	(149 797 746)
Total expenditure	-	-	-	(449 386 275)
Surplus/(Deficit)				(37 390 395)
Transfers recognised - capital				47 755 782
Surplus (Deficit) after capital transfers and contributions				10 365 387
Surplus/(Deficit) for the year				10 365 387

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Capital expenditure and funds sources				
Total capital expenditure			52 725 957	
Sources of capital funds				
Transfers recognised - capital			46 755 781	
Internally generated funds			5 970 175	
Total sources of capital funds			52 725 956	
Cash flows				
Net cash from (used) operating			65 860 695	
Net cash from (used) investing			(52 109 436)	
Net cash from (used) financing			(353 723)	
Net increase/(decrease) in cash and cash equivalents			13 397 536	
Cash and cash equivalents at the beginning of the year			99 796 239	
Cash and cash equivalents at year end			113 193 775	

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 62 Changes in accounting policy.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The entity assesses its trade receivables, loans and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, loans and other receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Financial assets and liabilities

The classification of financial assets and liabilities into categories is based on judgement by management.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount.

Revenue Recognition

Accounting Policy on Revenue describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-exchange Transactions. In particular, when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Classification of expenses

The analyses of expenses are presented based on the nature of expenses.

1.2 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the Municipality.

1.3 Going concern assumption

These financial statements have been prepared based on the expectation that the Municipality will continue to operate as a going concern for at least the next 12 months.

1.4 Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.5 Housing operating account

The Housing Operating Account was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Operating Account.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Operating Account. Monies standing to the credit of the Housing Operating Account can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.6 Community Assets

Community Assets are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of community assets is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Community Assets is initially measured at cost.

The cost of an item of community assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of community assets is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of community assets have different useful lives, they are accounted for as separate items (major components) of community assets.

Costs include costs incurred initially to acquire or construct an item of community assets and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of community assets, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of community assets, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of community assets ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of community assets.

Major inspection costs which are a condition of continuing use of an item of community assets and which meet the recognition criteria above are included as a replacement in the cost of the item of community assets. Any remaining inspection costs from the previous inspection are derecognised.

Community Assets except for Land are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Land is not depreciated as it is regarded as having an indefinite life.

Community Assets is carried at cost less accumulated depreciation and any impairment losses..

The useful lives of items of community assets have been assessed as follows:

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.6 Community Assets (continued)

Item	Depreciation method	Average useful life
Community and Recreational Facilities	Straight line	20-30
Other Assets	Straight line	20-30
Vehicles	Straight line	5-10
Furniture and Fittings	Straight line	7-10
Roads	Straight line	30-80
Electricity	Straight line	20-50
Storm Water	Straight line	40-60
Solid Waste Disposal	Straight line	10-30

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of community assets with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit.

Items of community assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of community assets is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of community assets is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The entity separately discloses expenditure to repair and maintain community assets in the notes to the financial statements (see note 7)

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 7).

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided on a straight line basis over their useful life.

The amortisation period for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Intangible assets	Straight line	3-5

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.8 Heritage assets

Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an entity is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The entity separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements.

Recognition

The entity recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The entity assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.8 Heritage assets (continued)

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The entity derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

 distribution at no charge or for a nominal charge; or
 consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.10 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Designation

At initial recognition, the entity designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of an entity's objective of using the asset.

The entity designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the entity designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.11 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.12 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.13 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.14 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.14 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

The entity separately discloses expenditure to repair and maintain investment property in the notes to the financial statements.

1.15 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').

It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

It is settled at a future date.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.15 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.15 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.15 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
Financial instruments at amortised cost.

All financial assets are measured at amortised cost and are subject to an impairment review.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
combined instrument that is required to be measured at fair value; or
an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectability of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.15 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

the contractual rights to the cash flows from the financial asset expire, are settled or waived; the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.15 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.16 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The Municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The Municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The Municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.16 Statutory receivables (continued)

Accrued interest

Where the Municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the Municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the Municipality considers, as a minimum, the following indicators:

Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.

It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.

A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).

Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, an Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The Municipality derecognises a statutory receivable, or a part thereof, when:

the rights to the cash flows from the receivable are settled, expire or are waived;

the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:

- derecognise the receivable; and
- recognise separately any rights and obligations created or retained in the transfer.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.16 Statutory receivables (continued)

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.17 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.18 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.18 Construction contracts and receivables (continued)

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.19 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. Useful life is the period of time over which an asset is expected to be used by the entity.

Designation

At initial recognition, the entity designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of an entity's objective of using the asset.

The entity designates an asset or a cash-generating unit as cash-generating when:

its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The entity designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the entity designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.19 Impairment of non-cash-generating assets (continued)

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.20 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.20 Employee benefits (continued)

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.20 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Insured benefits

Where the Municipality pays insurance premiums to fund a post-employment benefit plan, the entity treats such a plan as a defined contribution plan unless the entity will have (either directly or indirectly through the plan) a legal or constructive obligation to either:

- pay the employee benefits directly when they fall due; or
- pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods.

If the entity retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.20 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.20 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.20 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to all contributing retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.20 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
 terminate the employment of an employee or group of employees before the normal retirement date; or
 provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.21 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.22 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.22 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.23 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.23 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.23 Revenue from non-exchange transactions (continued)

Taxes

The entity recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the entity controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The entity analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the entity.

Where the entity collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

1.24 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.25 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.25 Accounting by principals and agents (continued)

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Recognition

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.26 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.27 Unauthorised expenditure

Unauthorised expenditure means:

overspending of a vote or a main division within a vote; and
expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.28 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.29 Irregular expenditure

Irregular expenditure in relation to a municipality or municipal entity, means ---

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.29 Irregular expenditure (continued)

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Remuneration of the Public Office Bearers Act, 1998 (Act No. 20 of 1998); or

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the entity were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.31 Internal reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of community assets from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council funding and Reserves Policy. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of community assets. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.32 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by Municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.33 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the Municipality, including those charged with the governance of the Municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the Municipality.

The Municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the Municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the Municipality is exempt from the disclosures in accordance with the above, the Municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements.

1.34 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Accounting Policies

1.34 Events after reporting date (continued)

The Municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Financial Statements

Figures in Rand	2020	2019
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme

The objective of this guideline: Entities in the public sector are frequently involved in the construction of houses as part of government's housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act, Act No. 107 of 1997 provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

The effective date of the guideline is for years beginning on or after 01 April 2019.

The entity has adopted the guideline for the first time in the 2019/2020 financial statements.

The impact of the guideline is not material.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The entity has adopted the interpretation for the first time in the 2019/2020 financial year.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

2. New standards and interpretations (continued)

The impact of the interpretation is not material.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The entity has adopted the standard for the first time in the 2019-2020 financial year.

The impact of the standard is not material.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is for the year beginning on or after 01 April 2019.

The entity has adopted the standard for the first time in the 2019-2020 financial year.

The adoption of this standard has not had a material impact on the results of the Municipality, but has resulted in more disclosure than would have previously been provided in the financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

2. New standards and interpretations (continued)

A person or a close member of that person's family is related to the reporting entity if that person:

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity;
- is a member of the management of the entity or its controlling entity.

An entity is related to the reporting entity if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
- the entity is controlled or jointly controlled by a person identified in (a); and
- a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, *inter alia*, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2019.

The entity has adopted the standard for the first time in the 2019/2020 financial year.

The adoption of this standard has not had a material impact on the results of the entity, but has resulted in more disclosure than would have previously been provided in the financial statements.

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Not expected to impact results but may result in additional disclosure
GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Not expected to impact results but may result in additional disclosure
GRAP 34: Separate Financial Statements	01 April 2020	Not expected to impact results but may result in additional disclosure
GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

2. New standards and interpretations (continued)

GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Impact is currently being assessed
Directive 7 (revised): The Application of Deemed Cost	01 April 2020	Impact is currently being assessed
GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	Not expected to impact results but may result in additional disclosure

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and their implementation date have not yet been determined the Minister of Finance.

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The impact of this standard is currently being assessed.

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

2. New standards and interpretations (continued)

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The entity does not envisage the adoption of the guideline until such time as it becomes applicable to the entity's operations.

The impact of this guideline is currently being assessed.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Petty cash and floats	15 940	15 750
Bank balances	6 454 470	8 228 921
Short-term investment deposits	119 879 899	104 949 104
	126 350 309	113 193 775

The difference of R15 940 between total cash and cash equivalent note and the cash book balance of all bank accounts as a result of petty cash and float which are cash on hand kept within the municipality.

The difference of R633 790 between total cash book balances and total bank statements balances is attributable to reconciling differences which are explained in the bank reconciliation of the main account.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020 2019

3. Cash and cash equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
Standard Bank - Call Deposit - 068872208-001	760 081	757 907	808 604	760 085	757 907	808 604
Standard Bank - Fixed Deposit - 068872208-002	1 675 536	1 530 191	1 415 948	1 675 536	1 530 191	1 415 948
Standard Bank - Call Deposit - 068872208-004	61 821 415	52 642 990	46 732 504	61 821 415	52 642 990	46 732 504
Standard Bank - Call Deposit - 068872208-005	14 779 338	3 399 609	616 122	14 779 338	3 399 609	616 122
Standard Bank - Call Account - 068872208-008	3 757 888	215 521	5 367	3 757 888	215 521	5 367
Standard Bank - Call Deposit - 068872208-009	1 144 349	709 821	582 159	1 144 349	(6 806)	582 159
First National Bank - Cheque Account - 52191090523	5 862 386	7 897 416	3 708 882	6 454 470	8 203 491	6 436 023
First National Bank - Call Deposit - 62299224594	-	-	14	-	-	14
First National Bank - 32 Day Fixed Deposit - 74238125451	311 995	311 995	311 995	311 995	311 995	311 995
First National Bank - Call Deposit - 62120320081	10 682 305	3 473 784	7 708 391	10 682 305	3 473 784	7 708 391
First National Bank - Call Deposit - 62151319186	57 831	6 796 490	318 671	57 831	6 796 490	318 671
First National Bank - Call Deposit - 62124937246	265 482	81 479	523 759	265 482	81 479	523 759
First National Bank - Call Deposit - 62378736593	3 628 911	7 189 537	8 258 518	3 628 911	7 189 537	8 258 518
First National Bank - Call Deposit - 62024283038	295 271	295 961	311 857	295 271	294 996	311 827
First National Bank - Call Deposit - 62239675260	12 005 956	6 743 613	2 346 848	12 005 956	6 743 613	2 346 848
First National Bank - Call Account - 62094589036	1 642	4 814	4 814	1 642	4 814	4 814
First National Bank - Call Account - 62071691309	3 509	20 616	20 616	3 509	20 616	20 616
Investec - Call Deposit - 1100511779500	1 064 981	13 589 771	9 445 482	1 064 981	13 589 744	9 445 464
Investec - Call Deposit - 1100511779503	496 489	497 699	-	496 489	497 699	-
Investec - Call deposit - 1100511779502	313 113	596 240	-	313 113	596 240	-
Nedbank - Call Deposit - 037165024212	395 298	396 191	420 587	395 298	396 191	420 587
Nedbank - Call Deposit - 037165024182	3 853 773	3 862 215	5 612 620	3 853 773	3 862 215	5 612 620
Nedbank - Call Deposit - 037165024190	-	-	19 898	-	-	19 898
Nedbank - Call Deposit - 037165024204	2 569 884	2 575 708	7 879 367	2 569 884	2 575 708	7 879 367
Total	125 747 433	113 589 568	97 053 023	126 339 521	113 178 024	99 780 116

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand	2020	2019
4. Inventories		
Electricity materials and supplies	1 852 488	2 180 944
Consumables stores	1 380 924	935 531
	3 233 412	3 116 475
5. Receivables from Exchange Transactions		
Gross balances		
Sundry Debtors	8 722 311	7 828 947
Electricity	18 309 817	14 633 115
Refuse	8 785 749	6 476 596
Deposits With Creditors	276 795	749 001
Payments Made in Advance	1 399 856	939 260
Housing Installments	64 848	18 623
Consumer Deposits Raised	69 791	63 212
	37 629 167	30 708 754
Less: Allowance for impairment		
Sundry Debtors	(5 753 373)	(5 960 551)
Electricity	(5 825 329)	(5 454 789)
Refuse	(4 970 843)	(3 959 857)
Housing Installments	(64 848)	(3)
Consumer Deposits Raised	(37 849)	(14 919)
	(16 652 242)	(15 390 119)
Receivable From Exchange Transactions		
Sundry Debtors	2 968 938	1 868 396
Electricity	12 484 488	9 178 326
Refuse	3 814 906	2 516 739
Deposits With Creditors	276 795	749 001
Payments Made in Advance	1 399 856	939 260
Housing Installments	-	18 620
Consumer Deposits Raised	31 942	48 293
	20 976 925	15 318 635
Sundry Debtors		
Current (0 -30 days)	3 080 802	1 937 637
31 - 60 days	4 764	76 226
61 - 90 days	4 628	5 994
91 - 120 days	4 466	5 437
121 - 365 days	5 627 652	5 803 654
	8 722 312	7 828 948
Electricity		
Current (0 -30 days)	10 222 367	10 043 362
31 - 60 days	1 112 823	135 333
61 - 90 days	585 552	130 398
91 - 120 days	278 387	94 436
121 - 365 days	6 110 688	4 229 586
	18 309 817	14 633 115

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand	2020	2019
5. Receivables from Exchange Transactions (continued)		
Refuse		
Current (0 -30 days)	2 662 324	2 493 669
31 - 60 days	498 555	244 854
61 - 90 days	379 868	193 838
91 - 120 days	306 299	158 006
121 - 365 days	4 938 704	3 386 230
	8 785 750	6 476 597
Housing Instalments		
Current (0 -30 days)	10 572	18 623
31 - 60 days	4 895	-
61 - 90 days	4 895	-
91 - 120 days	4 634	-
121 - 365 days	39 852	-
	64 848	18 623
Consumer Deposits Raised		
Current (0 -30 days)	13 392	42 998
31 - 60 days	1 500	-
61 - 90 days	17 050	5 311
91 - 120 days	12 527	2 286
121 - 365 days	25 322	12 617
	69 791	63 212
Summary of debtors by customer classification		
Residential	20 107 979	17 982 162
Commercial and industrial	5 758 257	4 905 925
National and Provincial Government	9 706 102	4 788 818
Payments Received in advance	380 179	1 343 589
	35 952 517	29 020 494
Reconciliation of allowance for impairment		
Balance at beginning of the year	(15 390 119)	(10 126 962)
Contributions to allowance	(1 668 451)	(7 627 176)
Debt impairment written off against allowance	406 328	2 364 019
	(16 652 242)	(15 390 119)
6. Receivables from non-exchange transactions		
Sundry Debtors	-	1 787 189
Property rates	4 814 874	15 854 829
Traffic fines	6 492 873	6 348 711
	11 307 747	23 990 729
Gross		
Sundry Debtors	-	1 809 823
Property Rates	33 479 713	49 411 448
Traffic Fines	162 321 826	159 328 092
	195 801 539	210 549 363

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020

2019

6. Receivables from non-exchange transactions (continued)

Impairment

Sundry Debtors	-	(22 634)
Property Rates	(28 664 839)	(33 556 620)
Traffic Fines	(155 828 953)	(152 979 381)
	(184 493 792)	(186 558 635)

Net Debtors

Sundry Debtors	-	1 787 189
Property Rates	4 814 874	15 854 828
Traffic Fines	6 492 873	6 348 712
	11 307 747	23 990 729

Total receivables from non-exchange transactions

11 307 747 23 990 729

Statutory receivables included in receivables from non-exchange transactions are as follows, on a gross basis:

Traffic Fines	162 321 826	159 328 092
Property Rates	33 479 713	49 411 448
	195 801 539	208 739 540

Statutory receivable that are past due and impaired included in receivables from non-exchange transactions are as follows:

Traffic Fines	(155 828 953)	(152 979 381)
Property Rates	(28 664 839)	(33 556 620)
	(184 493 792)	(186 536 001)

Statutory receivables included in receivables from non-exchange transactions above are as follows, net of impairment:

Traffic Fines	6 492 873	6 348 711
Property Rates	4 814 874	15 854 828
	11 307 747	22 203 539

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020

2019

6. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property rates is levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004, hence this is therefore recognised as a statutory receivable. The receivable is calculated by applying the Council Approved rates randages against the valuation of individual properties within the municipality jurisdiction. Council approved rebates and exemptions are further applied to reduce the receivable.

Traffic fines are issued to offenders in terms of Criminal Procedures Act, hence this is therefore recognised as a statutory receivable. The receivable is calcculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law.

Interest or other charges levied/charged

The Municipality charges interest on all outstanding rates debtors balances older than 30 days in respect of rate accounts at a simple interest rate of prime plus 1% determined as at 28 February of each year for the financial year starting 1 July.

No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the Municipality.

Basis used to assess and test whether a statutory receivable is impaired

The Municipality assess at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

If there is an indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivable is reduced. The amount of the loss is recognised in the surplus or deficit.

Statutory receivables past due but not impaired

Certain statutory receivables which are less than 3 months past due are not considered to be impaired. Other statutory receivable that are older than 3 months are not considered for impairment if there is indication they would be collected. At 30 June 2020, R14 145 072 (2019: R19 240 695) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	926 514	549 604
2 months past due	670 916	442 324
3 months and above past due	12 547 642	18 248 767

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020 2019

6. Receivables from non-exchange transactions (continued)

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	186 558 634	155 158 188
Provision for impairment	2 849 572	33 307 801
Amounts written off as uncollectible	(1 319 959)	(361 729)
Debt impairment reversed	(3 594 458)	(1 545 626)
	184 493 789	186 558 634

Reconciliation of the allowance of Debt Impairment: Fruitless and wasteful Expenditure

Balance at the beginning	22 634	22 634
Bad Debt written off	(22 634)	-
	-	22 634

Reconciliation of the Allowance of Debt Impairment: Rates

Balance at the beginning	33 556 620	35 168 500
Doutful Debt Written off	(1 297 325)	(66 254)
Debt impairment reversed	(3 594 458)	(1 545 626)
	28 664 837	33 556 620

Reconciliation of the Allowance of Debt Impairment: Traffic Fines

Balance at the Beginning	152 979 380	119 967 054
Contribution to Allowance	2 849 572	33 307 801
Doutful Debt Written off	-	(295 475)
	155 828 952	152 979 380

Age Analysis

Fruitless and wasteful expenditure

Current (0-30 days)	-	538
91 - 120 Days	-	1 420
121 Days and above	-	1 807 865
	-	1 809 823

Property Rates

Current (0 - 30 Days)	(33 592)	4 137 231
31 - 60 Days	1 166 763	918 512
61 - 90 Days	902 883	802 970
91 -120 Days	858 691	1 968 310
121 Days and Above	30 584 968	41 584 425
	33 479 713	49 411 448

Summary of Rates by Consumer Classification

Residential	19 210 780	18 564 017
Commercial and Industrial	2 070 161	2 695 115
National and provincial Government	10 290 296	26 233 452
Payments Received in Advance	1 908 476	1 918 863
	33 479 713	49 411 447

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

7. Community Assets

	2020		2019	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Land	198 782 880	-	198 782 880	199 088 527
Plant and machinery	9 076 223	(5 618 259)	3 457 964	7 976 740
Furniture and fixtures	8 329 334	(6 054 582)	2 274 752	8 272 891
Motor vehicles	43 460 671	(22 797 284)	20 663 387	32 978 612
IT equipment	13 637 482	(7 216 697)	6 420 785	13 279 058
Infrastructure	659 582 353	(311 671 853)	347 910 500	628 779 279
Community	378 897 075	(149 713 782)	229 183 293	365 192 150
Total	1 311 766 018	(503 072 457)	808 693 561	1 255 567 257
				(455 873 887)
				799 693 370

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

7. Community Assets (continued)

Reconciliation of community assets - 2020

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	199 088 527	-	(305 647)	-	-	198 782 880
Plant and machinery	3 066 489	1 169 953	(2 542)	(775 936)	-	3 457 964
Furniture and fixtures	2 771 728	150 000	(6 168)	(640 808)	-	2 274 752
Motor vehicles	12 136 651	11 416 210	(91 343)	(2 798 131)	-	20 663 387
IT equipment	7 375 418	705 348	(22 573)	(1 637 408)	-	6 420 785
Infrastructure	339 251 349	30 803 074	-	(21 853 291)	(290 632)	347 910 500
Community	236 003 208	14 063 383	(8 695)	(16 689 993)	(4 184 610)	229 183 293
	799 693 370	58 307 968	(436 968)	(44 395 567)	(4 475 242)	808 693 561

Reconciliation of community assets - 2019

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	129 586 164	-	-	69 502 363	-	-	199 088 527
Plant and machinery	2 615 479	1 226 112	(9 170)	-	(765 779)	(153)	3 066 489
Furniture and fixtures	3 014 251	543 730	-	-	(783 507)	(2 746)	2 771 728
Motor vehicles	10 878 946	4 514 921	-	-	(3 256 897)	(319)	12 136 651
IT equipment	7 187 085	1 748 709	(30 301)	-	(1 530 075)	-	7 375 418
Infrastructure	414 430 914	16 682 285	(17 135)	(69 502 363)	(22 046 130)	(296 222)	339 251 349
Community	231 544 111	27 685 950	-	-	(16 352 562)	(6 874 291)	236 003 208
	799 256 950	52 401 707	(56 606)		(44 734 950)	(7 173 731)	799 693 561

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020

2019

7. Community Assets (continued)

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Total
Opening balance	4 454 903	13 819 116	18 274 019
Additions/capital expenditure	28 651 559	15 576 429	44 227 988
Transferred to completed items	(8 227 846)	(4 866 965)	(13 094 811)
	24 878 616	24 528 580	49 407 196

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Total
Opening balance	13 734 951	9 801 634	23 536 585
Additions/capital expenditure	15 489 846	26 619 127	42 108 973
Transferred to completed items	(24 769 894)	(22 601 645)	(47 371 539)
	4 454 903	13 819 116	18 274 019

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Employee related costs	24 256 233	21 335 816
Contracted services	4 798 925	2 793 783
Sale of goods/Inventory	3 273 349	3 965 196
	32 328 507	28 094 795

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

8. Intangible assets

	2020		2019	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Cost / Valuation	Accumulated amortisation and accumulated impairment
Computer software	2 689 388	(2 342 450)	346 938	1 537 069 (964 081) 572 988

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software	572 988	(226 050)	346 938

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	481 579	336 250	(244 841)	572 988

9. Investment property

	2020		2019	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Investment property	25 820 000	-	25 820 000 18 782 000	- 18 782 000

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020

2019

9. Investment property (continued)

Reconciliation of investment property - 2020

	Opening balance	Fair value adjustments	Total
Investment property	18 782 000	7 038 000	25 820 000

Reconciliation of investment property - 2019

	Opening balance	Fair value adjustments	Total
Investment property	17 879 000	903 000	18 782 000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality.

Maintenance of investment property

No repairs and maintenance were undertaken on investment property during the current financial year as well as 2018/19 financial year.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

10. Heritage assets

	2020		2019	
	Cost / Valuation	Accumulated impairment losses	Cost / Valuation	Accumulated impairment losses
Zululand historical museum	9 232 212	-	9 232 212	9 232 212
Office bearer's ceremonial chains	1 079 132	-	1 079 132	1 079 132
Total	10 311 344	-	10 311 344	10 311 344

Reconciliation of heritage assets 2020

	Opening balance	Total
Zululand historical museum	9 232 212	9 232 212
Office bearer's ceremonial chain	1 079 132	1 079 132
Total	10 311 344	10 311 344

Reconciliation of heritage assets 2019

	Opening balance	Total
Zululand historical museum	9 232 212	9 232 212
Office bearer's ceremonial chain	1 079 132	1 079 132
Total	10 311 344	10 311 344

Expenditure incurred to repair and maintain heritage assets

No repairs and maintenance were undertaken on heritage assets during the year under review as well as 2018/19 financial year.

11. Investments

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand	2020	2019
11. Investments (continued)		
At amortised cost		
Shares in co-operative - Coastal Farmers	1 000	1 000
Non-current assets		
Unlisted	1 000	1 000
12. Loans Receivable		
Heading		
Old age home	7 508	22 858
Current Portion Transferred to Current Receivables		
Old Age Home	15 349	15 349
Summary		
Loans Receivable (Non Current Assets)	22 857	38 207
Current portion Transferred to Current Assets	(15 349)	(15 349)
	7 508	22 858
13. Consumer deposits		
Electricity and refuse	2 720 226	2 519 307
Deposits other	77 221	42 472
	2 797 447	2 561 779
Guarantees held:		
In lieu of electricity deposits	319 750	319 750
14. Payables from exchange transactions		
Creditors control	20 712 839	16 993 570
Income received in advance	6 631 563	10 973 006
Retention monies	6 986 422	4 411 148
Unidentified direct deposits	579 744	2 106 290
Employee overtime/ standby	1 446 159	905 280
Operating lease liability	186 467	146 379
Salaries Control	264 356	111 270
	36 807 550	35 646 943
The fair value of trade and other payables approximate their carrying amounts. Trade and other payables are normally settled on 30 day terms in accordance with the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice/ statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors.		
15. VAT payable		
Tax refunds payables	2 173 693	1 000 066

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand	2020	2019
16. Unspent conditional grants and receipts		
Unspent conditional grants from spheres of government		
National Treasury	-	1 353 021
Provincial Grants	1 681 208	3 079 626
District Municipality	26 114	26 114
	1 707 322	4 458 761

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts			
MIG Grant	-	1 352 219	
Coastal Management Programme Grant KCDM	17 214	17 214	
Informal Trading Training Grant	8 900	8 900	
GIS Software and Spatial Development Framework Grant	183 937	651 987	
Rural Housing Grant	-	2 033 667	
Sunnydale Low Coast Housing Grant	393 972	393 972	
Finance Management Grant	-	802	
Tittle Deeds Registration Grant	1 103 299	-	
	1 707 322	4 458 761	

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the Municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 34 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

17. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Total
Staff leave	6 118 644	3 652 791	(781 647)	8 989 788
Staff bonuses	4 805 421	4 487 169	(4 390 201)	4 902 389
	10 924 065	8 139 960	(5 171 848)	13 892 177

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Total
Staff leave	5 075 480	3 839 065	(2 795 901)	6 118 644
Staff bonuses	3 820 126	4 628 221	(3 642 926)	4 805 421
	8 895 606	8 467 286	(6 438 827)	10 924 065

18. Loans payable

Annuity Loans		
Current portion transferred to current liabilities	342 816	342 816

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020

2019

18. Loans payable (continued)

Annuity loans	2 838 078	3 191 645
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(Refer to Appendix A for more details)

Bear Interest of 12.422% per annum, and is redeemed in bi annual installments, including interest, over a period of 20 years

Fair value impairment

Long term loans are recorded at the actual liability to loan creditors. No impairment has been recorded.

Non-current liabilities

Loans payable	2 838 078	3 191 645
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Current liabilities

Current portion of loans payable	342 816	342 816
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19. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The Council operates a defined medical aid benefit scheme for the benefit of its employees. Post-retirement medical aid benefits are offered to all employees by subsidising a portion of the medical aid provision after retirement

An actuarial valuation was carried out at 30 June 2020 and a full liability has been raised which relates to retired employees and existing employees.

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	15 938 000	14 486 000
Benefits paid	(702 000)	(657 000)
Net expense recognised in the statement of financial performance	10 998 392	2 109 000
	26 234 392	15 938 000

Net expense recognised in the statement of financial performance

Current service cost	764 000	676 000
Interest cost	1 624 000	1 441 000
Actuarial (gains) losses	8 610 392	(8 000)
	10 998 392	2 109 000

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	8 610 392	(8 000)
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UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020

2019

19. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	6.64%
Consumer price inflation	2.99%
Expected increase in healthcare cost	3.99%
Net discount rate	2.55%

The basis on which the discount rate has been determined is as follow:

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (as at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2019 the duration of liabilities was 4.13 years. At this duration the discount rate determined by using the bond Exchange Zero Coupon Yield Curve as at 17 June 2019 is 6.64% per annum, and the yield on the inflation-linked bonds of a similar term was about 3.54% per annum, implying an underlying expectation of inflation of 2.99% per annum.

A healthcare cost inflation rate of 3.99% was assumed. This is 1.00% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

However it's the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the normal values. The actuary have thus assumed a net discount factor of 2.55% per annum. This year's valuation basis is therefore stronger than previous year's basis from a discount rate perspective.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020

2019

19. Employee benefit obligations (continued)

Other assumptions

Medical Inflation Rate

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	1% Decrease R's	30 June 2020 Valuation basis R's	1% Increase R's
Employer's accrued liability	23 352 710	26 234 392	29 695 785
Service cost	1 648 087	1 904 869	2 222 775
Interest cost	1 527 385	1 719 483	1 948 337

As per the table above, a 1% increase in the medical inflation rate results in a 13.19% increase in the accrued liability whilst a 1% decrease in the medical inflation rate will result in a 10.98% decrease in the accrued liability.

Mortality Rate

The table below shows the impact of a change in the mortality assumption from PA(90) by increasing and decreasing it by 20%

	20% decrease R's	30 June 2020 Valuation basis R's	20% increase R's
Employer's accrued liability	27 626 501	26 234 392	25 073 044
Service cost	1 980 479	1 904 869	1 840 186
Interest cost	1 810 980	1 719 483	1 641 572

Amounts for the current and previous four years are as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Defined benefit obligation	26 234 392	15 938 000	14 486 000	14 138 000	11 959 000
Long Term Obligation					
Total Liability				26 234 392	15 938 000
Current portion of long term liability				(677 109)	(764 000)
				25 557 283	15 174 000

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020

2019

19. Employee benefit obligations (continued)

Defined contribution plan

Other Long-term Employee Benefits

Provision for Long-service Bonus Awards

The Council offers employees leave awards that may be exchanged for cash on a certain anniversaries of commencing service and a retirement gift determined by reference to length of service.

An actuarial valuation was carried out at 30 June 2020 and the full liability has been raised. The main assumptions used by the actuary are:

Discount Rate - 9.25%:

CPI - 4.88%:

Salary Increase - 5.88%:

Net Discount Rate - 3.18%:

Sensitivity analysis:

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of the future employees.

We have tested the effect of a 1% p.a change in the normal salary inflation assumption.

The effect is as follows:

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020 2019

19. Employee benefit obligations (continued)

	1% decrease R's	30 June 2020 Valuation basis R's	1% increase R's
Employer's accrued liability	5 951 430	6 349 487	6 789 220
Current service cost	679 513	731 758	790 279
Interest cost	482 149	561 511	602 187
	-	-	-

As per the table above, a 1% increase in the salary increase rate results in a 6.93% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 6.27% decrease in the accrued liability.

Changes in the present value of the Long-service Bonus Awards are as follows:

Opening Balance	6 113 000	5 519 000
Service cost	686 000	595 000
Interest cost	622 000	558 000
Benefits payments	(581 000)	(672 000)
Actuarial (gain)/loss	(490 513)	113 000
	6 349 487	6 113 000

Long Term Obligation

Total Liability	6 349 487	6 113 000
Current portion of long term liability	(558 185)	(686 000)
	5 791 302	5 427 000

Total Non Current employee benefit obligation

Post retirement medical benefits	25 557 283	15 174 000
Long service awards	5 791 302	5 427 000
	31 348 585	20 601 000

20. Housing Development Fund

The housing Development Fund was established in terms of the Housing Act, (Act No 107 of 1997). The municipality maintain a seperate Housing Operating Account as required by section 15(5) and 16 of the Housing Act. The Housing Development Fund is 100% cash backed.

Government loans extinguished in 1998	794 320	3 158 073
Installments received from borrowers	6 196 608	7 189 537
Accumulated deficit	(1 927 790)	(1 927 790)
	5 063 138	8 419 820

Reconciliation of the Housing Development Fund

Opening Balance	8 419 820	10 228 866
Housing projects payments	(3 594 220)	(1 561 659)
Provision for doubtful debt	(64 845)	(113 639)
Bad debt written off	-	(610 971)
Public contributions	343	497
Transfer from Accumulated Surplus (Interest)	302 040	476 725
	5 063 138	8 419 819

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

21. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2020

	Capital replacement reserve	Electrical Network Upgrade	SMME Establishment	Electricity	Indigent Support	Accumulated Surplus	Total
Opening balance	57 060 152	3 884 591	2 386 881	34 399 130	330 124	798 360 746	896 421 624
Net Surplusr/(Deficit) for the year	-	-	-	-	-	12 738 402	12 738 402
Transfer from capital Accumulated Surplus	11 337 585	6 797 714	48 736	-	(34 853)	(18 451 222)	(302 040)
	68 397 737	10 682 305	2 435 617	34 399 130	295 271	792 647 926	908 857 986

Ring-fenced internal funds and reserves within accumulated surplus - 2019

	Capital replacement reserve	Electrical Network Upgrade	SMME Establishment	Electricity	Indigent Support	Accumulated Surplus	Total
Opening balance	50 156 395	3 466 047	2 224 553	34 399 130	311 827	787 995 362	878 553 314
Net Surplusr/(Deficit) for the year	-	-	-	-	-	10 365 384	10 365 384
Transfer to capital replacement reserve	2 204 475	-	-	-	-	-	2 204 475
Interest received on investement	2 909 665	418 544	162 328	-	18 297	-	3 508 834
Interest received on short - term deposits	4 454 374	-	-	-	-	-	4 454 374
Additonal Cash contributon	2 263 252	-	-	-	-	-	2 263 252
Less: Funding of capital projects	(4 928 009)	-	-	-	-	-	(4 928 009)
	57 060 152	3 884 591	2 386 881	34 399 130	330 124	798 360 746	896 421 624

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand	2020	2019
22. Revenue		
Service charges	82 909 554	80 994 217
Rental of facilities and equipment	1 389 588	1 622 412
Interest received (trading)	693 496	1 034 976
Agency services	1 091 785	912 246
Licences and permits	1 512 059	2 578 710
Other income	3 505 148	1 948 027
Interest received - investment	10 198 260	4 787 326
Property rates	55 345 129	54 035 045
Government grants & subsidies	290 727 178	271 364 642
Fines, Penalties and Forfeits	7 324 260	39 560 191
	454 696 457	458 837 792

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	82 909 554	80 994 217
Rental of facilities and equipment	1 389 588	1 622 412
Electricity and refuse - penalties imposed	693 496	1 034 976
Agency services	1 091 785	912 246
Licences and permits	1 512 059	2 578 710
Other income	3 505 148	1 948 027
Interest received - investment	10 198 260	4 787 326
	101 299 890	93 877 914

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	55 345 129	54 035 045
Licences or permits	3 878	10 870
Transfer revenue		
Government grants & subsidies	290 727 178	271 364 642
Fines, Penalties and Forfeits	7 324 260	39 560 191
	353 400 445	364 970 748

23. Service charges

Sale of electricity	69 408 659	68 750 073
Refuse removal	13 500 895	12 244 144
	82 909 554	80 994 217

The service charges revenue are in respect of services rendered to consumers and billed in terms of the Council's approved tariffs.

24. Rental of facilities and equipment

Premises		
Community halls	78 249	120 925
Land leases and other rentals	1 151 552	1 364 422
Rental of municipal houses	159 787	137 065
	1 389 588	1 622 412

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020 2019

25. Electricity and refuse - Interest charged

Heading

Electricity - Interest charged	443 892	684 419
Refuse - Interest charged	249 604	350 557
	693 496	1 034 976

26. Interest earned

Interest revenue

Current account	378 207	332 952
Short - term investment deposits	9 820 053	4 454 374
	10 198 260	4 787 326

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020

2019

27. Agency services

Vehicle Registration	1 091 785	912 246
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Analysis and assessment of principal-agent arrangement.

The KwaZulu Natal Provincial Government, through the KwaZulu Natal Department of Transport, is mandated to collect motor vehicle licences on an annual basis. The KZN department of Transport determine the fee that is payable annually by motor vehicle owners.

To make the payment of motor vehicles easier, the KZN Department of Transport entered into a contractual arrangement with the Municipality to undertake this activity on its behalf. In terms of the arrangement:

- a) The Department issue the motor vehicle licence renewal form to the respective owners of the vehicles, indicating the amount due for the year.
- b) The Municipality provide facilities for owners of motor vehicles to pay their licences.
- c) The Department provide the municipality with access to its IT system so that the Municipality can capture the amounts received and issue the motor vehicle licences on their behalf. The system automatically generates the motor licence upon capturing the payment of the fees due.
- d) The Municipality collect the fees due from motor vehicle owners and simultaneously issue the new licences on behalf of the Department.
- e) The Municipality is required to pay over any revenue (cash) collected to the Department in respect of the vehicle licences.
- f) The Municipality is entitled to retain 8.55% of the cash collected for undertaking this activity on behalf of the Department.

The Assessment

The Department issue the renewal notices and as a result determine who is eligible to pay motor vehicle licences during the period, as well as the amount due.

- The Municipality does not have power to determine the significant terms and conditions of the transactions with the third parties.

The Municipality is only entitled to 8.55% of the total cash collected and can not use all or substantially all of the cash collected for its own benefits, 91.45% of the cash collected must be paid over to the department.

- The Municipality does not have the ability to use all or substantially all the resources that result from the transactions with third parties.

The system operated by the department automatically generates the licences and therefore any errors or other defects in the licence are the responsibility of the Department, further the Municipality is only liable to pay over actual cash collected and therefore not exposed to any financial variability in the transaction.

- The Municipality is not exposed to variability in the results of the transaction with third parties.

Conclusion

After this analysis and assessment it is concluded that:

The principal-agent arrangement exists between the KwaZulu Natal Department of Transport and uMlalazi Municipality.

The Municipality is an agent in this principal-agent arrangement.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020 2019

28. Licences and permits

Trading licences	13 148	10 118
Road and Transport	1 498 911	2 568 592
	1 512 059	2 578 710

29. Other income

Administrative handling fees	107 680	138 342
Town planning and servitudes	23 542	120 469
Breakages and losses recovered	1 227	3 102
Advertisements	3 826	5 130
Commission	22 491	32 284
Building plan approval	500 615	295 749
Cemetery and burial fees	153 288	153 843
Cleaning and removal	37 483	75 808
Clearance certificate	60 890	73 244
Insurance refund	1 348 109	371 140
Entrance fees	42 392	25 502
Skills development levy refund	238 814	289 562
Photocopies and faxes	471 913	352 808
Sales of E-cards	2 365	3 044
Actuarial Gain	490 513	8 000
	3 505 148	1 948 027

30. Gain/ (loss) on sale of assets

Gain on sale of ecards	3 358	2 203
Gain/(Loss) on disposal of PPE	(78 930)	(56 608)
	(75 572)	(54 405)

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020 2019

31. Property rates

Rates earned

Residential	20 994 929	29 335 725
Commercial	11 344 020	10 161 691
Education and state	13 169 193	28 762 909
Agriculture	4 827 513	5 392 814
Municipal	1 482	1 616 781
Public benefit	446	520 728
Vacant land	4 174 492	6 131 010
Mining	401 335	476 620
Public service infrastructure	431 719	8 426 513
Less: Rates rebate	-	(36 789 746)
	55 345 129	54 035 045

Valuations

Residential	2 508 594 000	2 507 767 000
Commercial	776 886 000	767 487 000
Education and state	2 326 681 000	2 293 880 000
Agriculture	1 805 819 000	1 805 819 000
Municipal	138 547 000	138 298 000
Public benefit	88 436 000	88 436 000
Vacant land	261 735 000	261 950 000
Mining	20 412 000	20 412 000
Public Service Infrastructure	3 028 348 000	3 018 092 000
	10 955 458 000	10 902 141 000

Valuations on land and buildings are performed every four years in terms of the Municipal Property Rates Act, (Act No. 6 of 2004). The basic rate for land and buildings range between R0.2792 and R2.2335 (2019 - R0.2634 and 2.1070) respectively.

Messrs Umhlabi Geometrics Incorporated compiled the valuation roll which was implemented on 1 July 2015.

The new general valuation will be implemented on 01 July 2020.

32. Licences and permits (non-exchange)

Rank permits	3 878	10 870
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33. Fines and penalties

Law enforcement fines	2 435	2 783
Overdue books fines	10 358	18 495
Traffic fines	5 191 375	36 174 400
Property rates - interest charged	1 939 639	3 104 036
Disconnection fees penalties	180 453	260 477
	7 324 260	39 560 191

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020 2019

34. Government grants and subsidies

Operating grants

Equitable share	185 590 000	165 378 000
Finance Management Grant	1 770 802	1 769 198
Community Library Grant	4 850 000	4 610 000
EPWP Grant	3 068 000	3 212 000
INEP	-	10 000 000
Museums Grant	386 000	368 000
Community Service Centre Grant	-	16 123
Spatial Development	468 050	844 000
Rural Housing Grant	52 028 707	37 411 539
Title Deeds Registration Grant	88 400	-
Disaster Management Grant	745 000	-
	248 994 959	223 608 860

Capital grants

Municipal Infrastructure Grant	41 732 219	47 755 782
	290 727 178	271 364 642

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	105 137 178	105 986 642
Unconditional grants received	185 590 000	165 378 000
	290 727 178	271 364 642

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy which is funded from the grant.

Municipal Infrastructure Grant

Balance unspent at beginning of year	1 352 219	-
Current-year receipts	40 380 000	49 108 000
Conditions met - transferred to revenue	(41 732 219)	(47 755 781)
	-	1 352 219

Conditions still to be met - remain liabilities (see note 16).

Coastal Management Programme Grant

Balance unspent at beginning of year	17 214	17 214
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Conditions still to be met - remain liabilities (see note 16).

Community Service Centre Grant

Balance unspent at beginning of year	-	16 123
Conditions met - transferred to revenue	-	(16 123)
	-	-

Provincialisation of Libraries and Community Library Services

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020 2019

34. Government grants and subsidies (continued)

Current-year receipts	4 850 000	4 610 000
Conditions met	(4 850 000)	(4 610 000)
	-	-

Informal Traders Training Grant

Balance unspent at beginning of year	8 900	8 900
Conditions still to be met - remain liabilities (see note 16).		

GIS Software and SDF Grant

Balance unspent at beginning of year	651 987	495 987
Current-year receipts	-	1 000 000
Conditions met - transferred to revenue	(468 050)	(844 000)
	183 937	651 987

Conditions still to be met - remain liabilities (see note 16).

Rural Housing Grant

Balance unspent at beginning of year	2 033 667	-
Current-year receipts	49 995 040	39 445 206
Conditions met - transferred to revenue	(52 028 707)	(37 411 539)
	-	2 033 667

Conditions still to be met - remain liabilities (see note 16).

Sunnydale Lowcost Housing Grant

Balance unspent at beginning of year	393 972	393 972
Conditions still to be met - remain liabilities (see note 16).		

EPWP Grant

Current-year receipts	3 068 000	3 212 000
Conditions met - transferred to revenue	(3 068 000)	(3 212 000)
	-	-

Finance Management Grant

Balance unspent at beginning of year	802	-
Current-year receipts	1 770 000	1 770 000
Conditions met - transferred to revenue	(1 770 802)	(1 769 198)
	-	802

Conditions still to be met - remain liabilities (see note 16).

Integrated National Electrification Programme Grant

Current-year receipts	7 000 000	10 000 000
Conditions met	(7 000 000)	(10 000 000)

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020

2019

34. Government grants and subsidies (continued)

Analysis and assessment of a Principal-agent arrangement

The Municipality have entered in an agreement with Eskom for the electrification of houses in the Eskom area of supply. The Municipality appoint the contractor to construct the asset. The asset is transferred to Eskom on completion of the construction. This project is funded by the schedule 5B INEP grant. The Municipality do not have an electricity licence for this area and is constructing asset in an Eskom licenced area. The Municipality do not have control over this asset and there are no economic benefits as no revenue to be derived from the asset.

The Binding agreement under consideration is the agreement with Eskom which is signed by both the Municipality and Eskom. The transaction with third party is the appointment of the contractors to construct the assets. The asset transferred to Eskom on completion of the construction is therefore for the benefit of Eskom.

GRAP 109.25 state that an entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

a) It does not have the power to determine the significant terms and conditions of the transaction with the third parties;

The Municipality does not have the power to effect the result of the transaction, that is the economic benefit or service potential that arises from the transaction. The quality of the electrical infrastructure received by agreement, among others:

- The electrification infrastructure to be designed and built in accordance with Eskom standards and specifications.
- The designs for the above mentioned projects must be approved by Eskom project engineers before construction commences.
- All materials used for the project must be approved by Eskom.
- Eskom clerk of works will carry out ad hoc inspection of the construction work to ensure the project complies with the approved designs.
- After the completion of the construction activities Eskom inspect the network and any defects identified to be rectified by the Municipality.

b) It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit;

The Municipality does not have unrestricted access to those resources and cannot use those resources for its own benefit due to the following:

- The meters installed for the project must be sourced from Eskom stores.
- The grant funding received may only be utilised in terms of the conditions of the grant (construct electrical infrastructure) and cannot be used for the Municipality's own purpose.

c) It is not exposed to variability in the results of the transaction

- Eskom is responsible for fulfilling the legislated mandate of supply of electricity, and hence, consumers will look to Eskom for delivery of electricity.
- The Municipality receive no compensation for carrying out the transaction;

The Municipality is not exposed to significant default risk i.e. risk of fees, taxes, levies or other charges not being paid by third parties.

Conclusion

Based on the above the Municipality is transacting with contractor on behalf of Eskom and is therefore an agent of Eskom.

Museums Grant

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand	2020	2019
34. Government grants and subsidies (continued)		
Current-year receipts	386 000	368 000
Conditions met - transferred to revenue	(386 000)	(368 000)
	-	-

Title Deeds Registration Grant

Current-year receipts	1 191 699	-
Conditions met - transferred to revenue	(88 400)	-
	1 103 299	-

Conditions still to be met - remain liabilities (see note 16).

Disaster Management Grant

Current-year receipts	745 000	-
Conditions met - transferred to revenue	(745 000)	-
	-	-

The Municipality received an additional allocation of R745 000 in respect of Municipal Disaster Management Grant from National Government. This grant was allocated to assist the Municipality in dealing with the unforeseen additional expenditure emanating from COVID-19 pandemic. The total expenditure incurred by the Municipality in relation to COVID-19 for 2019/2020 financial year amounts to R1 656 181. The difference of R911 181 was funded internally. These funds were used on expenditures such as protective clothing, hand sanitisers, office decontamination and machinery and equipment.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand	2020	2019
35. Employee related costs		
Basic salary and wages	91 132 754	81 980 402
Bonuses	6 738 882	6 426 261
Medical Aid Contributions	6 944 988	5 779 742
Annual leave	5 336 995	3 839 065
Post-retirement benefit obligations	2 398 846	2 516 841
Overtime	8 556 517	6 694 547
Long service awards	1 500 743	1 195 354
Motor vehicle allowance	5 187 293	4 469 501
Housing allowances	1 399 191	1 183 899
Rental subsidy	75 693	55 050
Group life insurance	1 571 039	1 308 991
Performance Bonuses	666 408	757 013
Cellphone Allowances	1 427 600	1 321 552
Pension and UIF contributions	17 696 138	14 501 974
Actuarial Loss	8 610 392	113 000
	159 243 479	132 143 192
Remuneration of municipal manager		
Annual Remuneration	1 001 621	727 075
Car Allowance	180 000	180 000
Performance Bonuses	152 530	26 257
Contributions to UIF, Medical and Pension Funds	188 080	132 658
Group Life	19 456	14 541
	1 541 687	1 080 531
Remuneration of chief finance officer		
Annual Remuneration	822 895	747 355
Car Allowance	180 000	180 000
Performance Bonuses	158 684	92 073
Contributions to UIF, Medical and Pension Funds	114 109	103 797
Group Life	16 012	14 947
	1 291 700	1 138 172
Remuneration of the Director: Corporate Services		
Annual Remuneration	1 011 677	924 316
Car Allowance	120 000	120 000
Performance Bonuses	158 684	91 073
Contributions to UIF, Medical and Pension Funds	1 785	1 784
	1 292 146	1 137 173
Remuneration of the Director: Engineering Services		
Annual Remuneration	388 108	776 216
Car Allowance	90 000	180 000
Performance Bonuses	-	22 768
Contributions to UIF, Medical and Pension Funds	73 186	144 588
Group Life	-	1 784
	551 294	1 125 356

The Director Engineering Services resigned on 31 December 2019 and the post have been vacant up until the end of 2019/20 financial year.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020 2019

35. Employee related costs (continued)

Remuneration of the Director: Community Services

Annual Remuneration	778 962	758 487
Car Allowance	180 000	180 000
Performance Bonuses	147 350	16 263
Contributions to UIF, Medical and Pension Funds	174 501	164 101
	1 280 813	1 118 851

Remuneration of the Director Planning and Economic Development Services

Annual Remuneration	553 017	261 372
Car Allowance	300 000	150 000
Performance Bonuses	32 921	-
Contributions to UIF, Medical and Pension Funds	1 784	892
Group Life	10 555	5 228
Housing Allowance	267 600	133 800
	1 165 877	551 292

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020 2019

36. Remuneration of councillors

Mayor's allowance	905 259	872 149
Deputy Mayor's allowance	733 088	706 600
Executive committee members	5 520 368	5 326 260
Speaker's allowance	733 088	706 600
Councillors	13 744 292	13 209 360
Chief Whip	690 046	688 874
	22 326 141	21 509 843

Remuneration of Councillors

Basic Allowance	16 020 131	15 528 256
Cellphone Allowance	2 203 200	2 203 200
Travelling Allowance	3 116 224	2 844 434
Data Allowance	194 400	194 400
Pension Fund Contribution	792 186	739 553
	22 326 141	21 509 843

Remuneration of the Mayor

Basic Allowance	568 328	539 836
Cellphone Allowances	40 800	40 800
Travelling Allowance	208 317	206 938
Data Allowance	3 600	3 600
Pension Fund Contribution	84 214	80 975
	905 259	872 149

Remuneration of the Deputy Mayor

Basic Allowance	640 640	616 000
Cellphone Allowances	40 800	40 800
Data Allowance	3 600	3 600
Pension Fund Contribution	48 048	46 200
	733 088	706 600

Remuneration of the Speaker

Basic Allowance	454 663	431 870
Cellphone Allowances	40 800	40 800
Travelling Allowance	166 653	165 550
Data Allowance	3 600	3 600
Pension Fund Contribution	67 372	64 780
	733 088	706 600

Remuneration of the Chief Whip

Basic Allowance	426 247	404 878
Cellphone Allowances	40 800	40 800
Travelling Allowance	156 238	178 864
Data Allowance	3 600	3 600
Pension Fund Contribution	63 161	60 732
	690 046	688 874

Remuneration of the Executive Committee Members

Basic Allowance	3 812 021	3 676 216
Cellphone Allowances	326 400	326 400
Travelling Allowance	1 129 880	1 078 542
Data Allowance	28 800	28 800
Pension Fund Contribution	223 267	216 302

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand	2020	2019
36. Remuneration of councillors (continued)	5 520 368	5 326 260
Remuneration of Ordinary Councillors		
Basic Allowance	10 118 232	9 744 557
Cellphone Allowances	1 713 600	1 713 600
Travelling Allowance	1 455 136	1 329 439
Data Allowance	151 200	151 200
Pension Fund Contribution	306 124	270 564
	13 744 292	13 209 360
In-kind benefits		
The Mayor, Deputy Mayor, Speaker and Chief whip are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor, Deputy Mayor and Speaker each have the use of leased vehicles for official duties.		
The Mayor has full-time bodyguards, The Deputy Mayor, Speaker and Chief whip have each got two full-time bodyguards.		
37. Depreciation and amortisation		
Community Assets	44 395 565	44 734 947
Intangible assets	226 050	244 841
	44 621 615	44 979 788
38. Impairment of assets		
Impairments		
Community Assets	4 475 245	7 173 728
39. Finance costs		
Loans payable	405 720	447 469
40. Bulk purchases		
Electricity - Eskom	57 485 103	51 506 479

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020 2019

40. Bulk purchases (continued)

Electricity losses

	Number 2020	Number 2019		
Units purchased	50 560 713	52 989 545	57 485 103	51 399 859
Units sold	(43 594 826)	(47 633 508)	(49 565 224)	(46 193 726)
Total loss	6 965 887	5 356 037	7 919 879	5 206 133

Comprising of:

Technical losses	2 780 288	2 913 769	3 161 055	2 832 219
Non-technical losses	4 185 598	2 442 268	4 758 824	2 373 914
Total	6 965 886	5 356 037	7 919 879	5 206 133

Percentage Loss:

Technical losses	6 %	5 %	6 %	5 %
Non-technical losses	8 %	5 %	8 %	5 %
Total	14 %	10 %	14 %	10 %

Electricity losses are caused by the following:

- 1) Street lights consumptions that are not metered.
- 2) Tempering with electricity installations.
- 3) Other technical losses contributes up to 5.5% of the total of electricity losses, such as substation equipment losses, transmission lines losses, MV and LV cable network losses, electricity meters, MV and LV ring main units losses, minisubs losses and transformers losses.

The national norm for the electricity losses is 5% to 10% (National Treasury Circular No. 71)

41. Contracted services

Outsourced Services

Alien vegetation control	9 500	409 621
Animal care	501 360	601 632
Burial services	1 141 950	1 255 781
Business and advisory	2 186 966	748 370
Clearing and grass cutting services	2 551 086	1 614 537
Hygiene Services	300 000	-
Litter picking and street cleaning (CBD)	1 049 080	1 024 358
Medical examinations	800	94 830
Personnel and labour (Work creation projects and EPWP)	8 120 740	6 950 157
Connection/Dis-connection	9 021	-
Refuse removal	5 742 809	6 200 196
Security services	10 671 303	14 110 764
Traffic fines management	1 424 079	2 328 191

Consultants and Professional Services

Business and advisory	3 501 346	1 646 984
Infrastructure and planning	633 143	145 371
Legal cost	1 130 656	1 669 727

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020 2019

41. Contracted services (continued)

Contractors

Artists and performers	1 000	70 000
Catering services	933 110	1 313 361
Graphic designers	950	5 499
Maintenance of buildings and facilities	1 203 463	713 396
Maintenance of equipment	267 409	311 689
Grader programme and maintenance of vehicles	9 972 851	10 943 206
Pest control and fumigation	-	3 500
Prepaid electricity vendors	1 396 164	1 149 724
Stage and sound crew	151 440	196 140
Rural housing project and Rural electrification	53 745 807	48 401 005
	106 646 033	101 908 039

42. Transfers and subsidies

Other subsidies

Fencing of communal gardens SMME equipment and irr	1 431 127	318 041
SPCA Grant - in - aid	145 000	142 160
Tourism Grant-in-aid	220 190	215 870
Households (Groceries, temporally shelters and foo	2 046 605	3 740 616
Early childhood - Furniture and equipment for crec	-	235 202
Donations to schools	-	1 000
Bursaries (Non-employees)	162 000	237 000
Social Welfare Grant-in-aid	150 370	147 420
Zululand Historical Museum Grant -in-aid	253 620	248 650
	4 408 912	5 285 959

43. Lease rentals on operating leases

Motor vehicles

Vehicles for political office bearers	1 299 521	1 416 600
Plant and equipment		
Office equipment	1 110 372	1 116 210
Lease rentals on operating lease - 2		
Weigh bridges	544 900	480 729
Lease rentals on operating lease - Other		
Property rentals	223 192	195 469
	3 177 985	3 209 008

44. Other materials

Sale of goods

Inventory Consumed Consumables Standard Rated(Stationery and Cleaning Materials)	5 268 131	5 989 760
Inventory Consumed Finished Goods (Electrical parts and hardwares ased for building maintenance)	36 218	29 694
Inventory Consumed Materials and Supplies(asphalt hot mix, stone)	3 360 882	4 013 783
	8 665 231	10 033 237

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand	2020	2019
45. General expenses		
Advertising	1 539 612	1 881 859
Audit fees - external	2 224 626	1 923 434
Bank charges	302 811	328 787
Cleaning Services	3 885	596
Commission paid, third party vendors	48 200	34 396
Council's Communications	1 422 921	1 334 513
Entertainment allowances	107 879	139 378
Hire charges	283 352	659 556
Insurance	1 600 106	1 438 759
External computer services	4 325 914	3 878 963
Skills development fund levies	1 094 372	1 187 899
Printing, publications and books	10 259	7 671
Uniform and protective clothing	2 210 431	1 125 841
Performing Arts	11 237	621
Professional bodies, membership and subscriptions and membership fees	47 955	42 940
Vehicle Tracking	280 585	333 687
Transport provided - activities and events	451 200	593 951
Training	967 224	1 527 545
Travel and subsistence	2 635 545	2 685 305
Loose Tools	105 360	160 193
Municipal services - District Municipality	3 268 697	2 242 110
Archiving	72 374	62 550
Bargaining Council	1 724 410	1 255 002
Employee Bursaries	403 710	438 509
Honoraria (voluntarily Workers)	15 550	26 920
Indigent Relief	5 003 866	4 536 580
Remuneration to Ward Committees	3 094 000	3 158 581
Road Worthy Test	8 272	7 662
Sitting Allowance for traditional Leaders	37 000	65 000
Signage	43 800	47 140
Workmen's Compensation Fund	998 925	733 364
	34 344 078	31 859 312
46. Allowance of debt impairment		
Debt impairment	1 417 059	36 550 068
47. Bad Debts Written Off		
From Exchange Transactions	410 429	2 364 019
From Non-exchange transactions	1 297 324	361 729
	1 707 753	2 725 748
48. Fair value adjustment		
Fair value adjustment for investment properties	7 038 000	903 000
49. Auditors' remuneration		
Fees	2 224 626	1 923 434

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020 2019

50. Cash generated from operations

Surplus	12 738 409	10 365 387
Adjustments for:		
Depreciation and amortisation	44 621 615	44 979 788
Gain/Loss on sale of assets and liabilities	75 572	54 405
Fair value adjustments	(7 038 000)	(903 000)
Impairment deficit	4 475 245	7 173 728
Non-current: Employee Benefits Obligation	10 747 585	1 867 000
Contributions to staff bonus	2 968 112	3 128 287
Previous year's operating transactions	-	(4 089 462)
Current portion of Post Retirement Medical and Long Services Awards	(214 704)	1 950 193
Contributions: Staff Leave	(297 072)	3 839 065
Changes in working capital:		
Inventories	(116 937)	140 551
Receivables from exchange transactions	(5 658 290)	(2 330 894)
Receivables from non-exchange transactions	9 321 320	(9 155 801)
Payables from exchange transactions	1 160 612	1 799 678
VAT	1 173 627	3 281 146
Unspent conditional grants and receipts	(2 751 439)	3 526 565
Consumer deposits	235 668	234 059
	71 441 323	65 860 695

51. Retirement benefits

The municipality's personnel are members of one of the three Natal Joint Municipal Pension Funds i.e. (Superannuation, Provident and Retirement). The valuator carries out a statutory valuation once after every three years and an interim valuation on an annual basis.

The following valuations have been carried out:

Superannuation fund - interim on annual basis

Provident fund - interim on annual basis

Retirement fund - interim on annual basis

47.1 Superannuation

An Interim Actuarial Valuation of the fund was carried out for the period ending 31 March 2019.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020 2019

51. Retirement benefits (continued)

For service to 31 March 2019	Pensioners	Members	Total
Assets	5 730 118 000	6 427 752 000	12 157 870 000
Liabilities	(5 730 118 000)	(6 427 752 000)	(12 157 870 000)
	-	-	-

Pensioners: Funding level - 108.9%

Members: Funding level - 100%

For services to 31 March 2018	Pensioners	Members	Total
Assets	5 528 350 000	6 156 900 000	11 685 250 000
Liabilities	(5 528 350 000)	(6 156 900 000)	(11 685 250 000)
	-	-	-

Pensioners: Funding level - 105.8%

Members: Funding level - 100%

Investment reserve	31 March 2019
Contribution reserve	43 605 000

Investment reserve	31 March 2018
Contribution reserve	31 834 000

Conclusion

1. The valuation reveals that the Fund is fully funded before allowance for a Solvency Reserve in respect of members as at the valuation date, but that it is not fully funded on the "financial soundness" basis incorporating the full Solvency Reserve.
2. The asset composition on the valuation date is appropriate to the nature of the liabilities and that the investment strategy of the fund suitable for the fund.
3. The fund self-insures its risk benefits. The lump sum element of these benefits is relatively small, with the major element comprising of annuity payments. Given the recommended Risk Reserve, the fund's reinsurance are appropriate.
4. The fund is in a sound financial position as at the valuation date.

47.2 Provident Fund

The salient features of the Statutory Actuarial Valuation Report on the fund as at 31 March 2019 and 31 March 2018 were that the net market value of the fund's assets were sufficient for to fully cover the members' share account and to provide total reserves of R4 579 622 000 31 March 2019 and not sufficient at 31 March 2018 with the reserves of R4 181 870 000 respectively.

The assets of the fund exceed the liabilities as at 31 March 2019, resulting in a small surplus of R262 975 000 while a deficit of R67 188 000 was reported at 31 March 2018 which represents 5.3% and -1.6% of liabilities and reserves in respective years.

Due to the smoothing mechanism, a portion of the investment return to 31 March 2019 has been applied to fund the interim bonus for April 2019. The value of the liability liabilities therefore includes all interim bonuses to 30 April 2019.

Conclusion

1. The valuation reveals that the fund is 105.7% funded as at the valuation date.
2. The contribution rate allocated towards risk benefits and expenses in the year following the valuation date is expected to be sufficient to cover the cost of these benefits and expenses.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020

2019

51. Retirement benefits (continued)

3. The actuary is satisfied that the asset composition on the valuation date is appropriate to the nature of the liabilities and that the investment strategy of the Fund is suitable for the Fund.
4. The Fund self-insures its death benefits and disability benefits. The actuary is satisfied that, given the recommended Risk and Expense Reserve Account, the arrangement is appropriate for the Fund.
5. The actuary is of the view that the Fund was in a sound financial position as at the valuation date.

47.3 Retirement Fund

The actuarial value of total assets of the fund was less than the actuarial value of the liabilities for the service of pensioners and members to that date by R135 071 000 (2018 - R160 817 000).

Made up as follows:

For service to 31 March 2019:

for pensioners - funding level 113.4% (2018 : funding level 104.8%)

for members - funding level 92.1% (2018 : funding level 96.2%) - deficit of R135 071 000 (2018 - R160 817 000)

The fund did not hold an investment reserve.

With effect from 01 July 2000, local authorities commenced paying a surcharge equal to 2% of pensionable salaries. It was subsequently increased each year and is currently (31/03/2019), for local authorities 35% (2018 - 20%), and members pay 0.00% (2018 - 1.65%).

The previous statutory valuation as at 31 March 2018 showed a deficit in the Fund. The employers and members are paying a surcharge of 35% of pensionable salaries (for all active members at 31 December 2002), which was expected to fund the deficit over a eight year period to 31 July 2020.

Even though a surcharge was paid during the valuation period, the funding level has not increased by as much as was expected. This is primarily as a result of high salary increases over the valuation period and a strengthening of the valuation basis

Conclusion

1. The Fund is 96.9% funded (2018 - 96.2%) on the "best estimate" basis as at the valuation date, and is also not fully funded on the alternative basis as set out in PF Notice No. 2 of 2016.
2. The actuary is satisfied that the asset composition on the valuation date is appropriate to the nature of the liabilities and that the investment strategy of the fund is suitable for the fund..
3. The Fund self-insures its risks benefits.
4. The actuary is of the view that the fund is not in a sound financial position as at the valuation date, but expect the surcharge of 35% to eliminate the deficit by 2021.

48.4 Municipal Councillors' Pension Fund

The Municipal Councillors' Pension Fund operates as a defined contribution fund. The contributions paid by the members (13.75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future. The last valuation performed for the year ended 30 June 2012 revealed that the fund had a funding level of 99.5% (2009 - 102.0%).

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020

2019

52. Capital commitments

Authorised capital expenditure

Approved and contracted

Infrastructure Assets	11 253 153	686 860
Community Assets	4 569 862	3 801 296
Other Assets	8 233 395	-
	24 056 410	4 488 156

Total capital commitments

Already contracted for but not provided for	24 056 410	4 488 156
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This expenditure will be funded as follows

Own sources	9 939 601	-
Government grants	14 116 809	4 488 156
	24 056 410	4 488 156

This committed expenditure relates to property, plant and equipment and will be financed government grant , existing cash resources and funds internally generated.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	480 927	2 452 163
- in second to fifth year inclusive	54 269	535 196
	535 196	2 987 359

Operating lease payments represent rentals payable by the entity for office equipment, weigh bridges and vehicles for political office bearers. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years with escalation where applicable. No contingent rent is payable.

53. Accounting by principals and agents

The entity is a party to a principal-agent arrangements.

Details of the arrangement(s) is|are as follows:

1) The principal-agent arrangement between uMlalazi Municipality and the KwaZulu Natal Department of Transport.

The Municipality have entered into an agreement with KwaZulu Natal Department of Transport for the provision of vehicle registration services to vehicle owners on behalf of the KwaZulu Natal Department of Transport and receive 8.55% commission as compensation for the services provided.

The municipality is an agent in this arrangement . Refer to note 27 for significant judgements applied in making this assessment.

2) The principal-agent arrangement between uMlalazi Municipality and Eskom.

The Municipality have entered into an agreement with Eskom for the electrification of houses in the Eskom area of supply. This project is funded by the schdule 5B INEP grant. The Municipality do not have an electricity licence for this area (rural areas). The Municipality is constructing assets in an Eskom licenced area. The municipality do not have control over this asset and there are no economic benefits as no revenue or service potential to be derived from this asset.]

The Municipality is an agent in the arrangement. Refer to note 34 for significant judgements applied in making this assessment.]

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020

2019

53. Accounting by principals and agents (continued)

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

1) The Municipality and KZN Department of transport.

The municipality do not hold any resources on behalf of KwaZulu Natal Department of Transport, therefore there is no risk transferred from the KwaZulu Natal Department of Transport to the Municipality as a result of the costodianship over the resources held by the municipality on behalf of the KwaZulu Natal Department of Transport.

2) The Municipality and Eskom

As at the reporting date the Municipality do not hold any resources on behalf of Eskom since the grant was fully spent, the asset constructed was transferred to Eskom and the Municipality do not keep any unsed meters, therefore there is no risk transferred from Eskom to the Municipality as a result of the costodianship over the resource held by the municipality on behalf of Eskom as at 30 June 2019 and 2020 financial years.

Revenue recognised

1) The municipality and KZN Department of Transport.

The aggregate amount of revenue that the municipality recognised as compensation for the transactions carried out on behalf of the KZN Department of Transport (the principal) is R1 091 788 (2019: R912 246).

2) The Municipality and Eskom.

The Municipality do no receive any commission or any kind of revenue as compensation for the transaction carried out on behalf Eskom (the principal).

Liabilities and corresponding rights of reimbursement recognised as assets

1) The Municipality and KZN Department of Transport.

As at the reporting date (30 June 2020 and 30 June 2019), no liabilities were incurred by the municipality on behalf of the KZN Department of Transport that the municipality have recognised as any cash collected gets deposited to the department's account on a daily basis.

No corresponding rights of reimbursement that the municipality have recognised as assets as at the reporting date.

2) The municipality and Eskom.

As at the reporting date, no liabilities were incurred by the municipality on behalf of Eskom for both 2020 and 2019 financial years that the Municipality have recognised as the total allocation for this transaction was fully spent and the asset that was constructed was transferred to Eskom during the financial year.

No corresponding rights of reimbursement that the municipality have recognised as assets as at the reporting date since the cash at bank was fully spent and the infrastructure constructed was transferred to Eskom.

Resources (including assets and liabilities) of the entity under the custodianship of the agent

The resources have been recognised/have not been recognised by the agent in its financial statements. [Choose as appropriate]

The remittance of resources during the period [State details].

The expected timing of remittance of remaining resources by the agent to the entity, are [State timing and details].

The expected timing of remittance of remaining resources by the agent to third parties, are [State timing and details].

Resource or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020

2019

53. Accounting by principals and agents (continued)

[Provide additional info as appropriate]

Fee paid

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

The resource and/or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

54. Additional disclosure in terms of the Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 144 057	1 247 797
Amount paid - current year	(1 144 057)	(1 247 797)
	-	-

Audit fees

Current year audit fees	2 224 626	1 921 485
Amount paid - current year	(2 224 626)	(1 921 485)
	-	-

PAYE and UIF

Current year payroll deduction	23 201 557	19 941 188
Amount paid - current year	(23 201 557)	(19 941 188)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	36 245 437	29 978 728
Amount paid - current year	(36 245 437)	(29 978 728)
	-	-

Value Added Tax

VAT Receivable	3 898 926	2 546 744
VAT Payable	(4 640 118)	(3 102 142)
	(741 192)	(555 398)

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020

2019

54. Additional disclosure in terms of the Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

30 June 2020	Outstanding	Outstanding	Total
	less than 90	more than 90	
	days	days	R
ML Govindsamy	2 095	1 264	3 359
30 June 2019	Outstanding	Outstanding	Total
	less than 90	more than 90	R
SS Ntsele	604	2 917	3 521
ML Govindsamy	1 465	839	2 304
	2 069	3 756	5 825

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2020	Highest outstanding amount	Aging (in days)
ML Govindsamy	1 264	120
30 June 2019	Highest outstanding amount	Aging (in days)
SS Ntsele	2 917	120
ML Govindsamy	839	120
	3 756	240

Deviation from supply chain management

The following deviations and ratifications of minor breaches of procurement processes were reported to Council in terms of Section 36(2) of the Supply Chain Management Policy:

A register containing full details and reasons for each deviation transaction is available for inspection :

Incident

Impractical and impossible to follow official procurement processes	3 468 189	2 290 571
Goods or services available from the single supplier only	32 665	-
Emergency	4 997 032	131 554
	8 497 886	2 422 125

55. Unauthorised expenditure

Opening balance as previously reported	14 829 590	14 829 590
Opening balance as restated	14 829 590	14 829 590
Add: Expenditure identified - current	11 177 238	-
Less: Amount written off by council	(14 829 590)	-
Closing balance	11 177 238	14 829 590

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020 2019

55. Unauthorised expenditure (continued)

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	11 086 208	-
Cash	91 030	-
	11 177 238	-

Analysed as follows: non-cash

Employee related cost	11 086 208	-
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Analysed as follows: cash

Interest on DBSA loan	91 030	-
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Unauthorised expenditure: Budget overspending – per municipal department

Community Services	2 992 864	-
Corporate Services	3 170 180	-
Engineering Services	1 186 197	-
Financial Services	2 988 848	-
Municipal Managers Office	784 739	-
Planning and Development	(36 620)	-
	11 086 208	-

56. Irregular expenditure

Opening balance as previously reported	3 689 553	1 549 617
Correction of prior period error	79 389	-
Opening balance as restated	3 768 942	1 549 617
Add: Irregular Expenditure - current	150 000	18 251 329
Add: Irregular Expenditure - prior period	52 136 322	39 354 878
Less: Amount written off - current	(52 286 322)	(54 919 128)
Less: Amount written off - prior period	(3 768 942)	(547 143)
Closing balance	-	3 689 553

Incidents/cases identified in the current year include those listed below:

No evidence of SCM process that was followed in the appointment for construction of housing projects

No contract and no evidence of SCM process followed in the appointment of security services

Suppliers tax matters are not in order

Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 56 852 624 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand	2020	2019
57. Fruitless and wasteful expenditure		
Opening balance as previously reported	1 809 823	1 807 448
Opening balance as restated	1 809 823	1 807 448
Add: Expenditure identified - current	7 414	6 920
Less: Amounts recoverable - current	(847)	(4 545)
Less: Amount written off - prior period	(1 816 390)	-
Closing balance	-	1 809 823

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

57. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Flight tickets re-issue fees	The full amount was recovered from relevant employees.	847	-
Traffic fines administration fees		5 000	-
Late payment charge		1 567	-
		7 414	-

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

57. Fruitless and wasteful expenditure (continued)

Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 1 816 390 from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020

2019

58. Related parties

Parties are considered to be related if:

- 1) One part has the ability to control the other party, or
- 2) Exercise significant influence over the other party in making financial and operational decisions.

The following are awards above R2000 made to close family members of people

in the service of the state:

Nkiza Business CC (Catering services) - The owner of the business is the wife of Councillor WP Mzimela

- 26 600

Key management information

Class	Description	Number
Non-executive board members	Speaker and Chief Whip	02
Executive board members	Members of Executive Committee	09
Executive management	Heads of Departments (Directors)	05
Mayor	Chairperson of the Executive Committee	01
Councillors	Councillors	42
Municipal Managers	Accounting Officer	01

Remuneration of management

Management class: Councillors

Refer to note 36 "Remuneration of Councillors"

Management class: Executive management

*Refer to note 35 "Employee Related Cost"

59. Prior period errors

The amount of irregular expenditure that was certified as irrecoverable and written off by the council in respect of Kantey and Templer during 2018/19 financial year exceeded the actual expenditure incurred by R79 389, this has resulted in closing balance being understated by the same amount.

An amount of R6 000 in the form of penalty for late completion of a project was incorrectly debited on the penalties account and credited on the work in progress. This has resulted in the value of the work in progress and penalties being understatement by R12 000. (duplicate effect of R6 000).

Invoices amounting to R237 312.93 and R252 558 were submitted and raised system as accruals. Later the project was placed on hold and subsequently payments were cancelled. This resulted in the value of work in progress and accrued liabilities being overstated in prior years financial statements by an amount of R489 870.93.

The correction of error(s) results in adjustments as follows:

Statement of financial position

Property, plant and equipment (Work in progress)	-	(489 871)
Creditors Control(Accrued Liabilities)	-	(489 871)
Property, plant and equipment (Work in progress)	-	12 000
Opening Accumulated Surplus or Deficit	-	12 000

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020 2019

59. Prior period errors (continued)

Irregular expenditure

Opening balance	3 689 553	-
Adjustments made	79 389	-
Restated opening balance	3 768 942	-

Adjustment made to opening balance of irregular expenditure is due to fact that the amount of irregular expenditure that was certified as irrecoverable and written off by Council in respect of Kantey and Templer during 2018/19 financial year exceeded the actual expenditure incurred by R79 389.

60. Reclassifications

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been reclassified:

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020

2019

60. Reclassifications (continued)

The following reclassifications adjustment occurred:

VAT Payable and VAT Receivable

VAT Receivable and VAT Payable of R2 546 744 and R3 102 142 respectively have been combined to disclose the net of the obligation due to SARS as the nature of transactions is the same

The reason for reclassification is to correctly classify VAT Payable and Receivable in order to comply with GRAP which requires that if the nature of the transactions are the same the net obligation or receivable should be disclosed.

Statement of Financial Position

Decrease in Current Assets (VAT Receivable)	-	(2 546 744)
Decrease in Current Liabilities(VAT Payable)	-	2 546 744
	-	-

Depreciation and Impairment Loss

Depreciation and impairment loss has been disclosed separately as depreciation and impairment of assets results from a different nature of transaction. Depreciation and amortisation relates to the normal consumption usage of the asset over a period of time, whereas impairment of assets is the result of lack of maintenance or events that occurred resulting in the loss of the asset value, which needs to be restored. Hence it will be beneficial to the users of the AFS to disclose impairment of assets separately.

Reason for reclassification is to ensure compliance with materiality guideline.

The net effect of this reclassification is as follows:

Statement of Financial Performance

Decrease in Depreciation and amortisation	-	(7 173 728)
Increase Impairment Loss	-	7 173 728
	-	-

Actuarial Gains and Losses

National Treasury revised the NT accounting guidelines in February 2020 which now requires that actuarial losses should be included in the employee related cost/personnel cost line item in the statement of financial performance and actuarial gains should be included in the other income line item in the statement of financial performance. Actuarial gains and losses should not be netted off in the statement of financial performance.

The reason for this reclassification is to ensure compliance with the NT accounting guidelines as revised.]

The net effect of this reclassification is as follows:

Statement of Financial Performance

Increase Other income (Actuarial Gains)	-	8 000
Decrease Employee Related Cost (Post Retirement Benefit Obligation)	-	(8 000)
Increase Employee Related Cost (Actuarial Losses)	-	113 000
Decrease Employee Related Cost (Long Service Awards)	-	(113 000)
	-	-

Bad Debt Written off

Bad debt written off was disclosed in combination with debt impairment on the face of the statement of income and expenditure. Bad debt written off needed to be disclosed separately due to the material nature of the transaction.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020

2019

60. Reclassifications (continued)

The reason for this reclassification is to ensure that all transactions that are material in nature are disclosed separately on the face of the statement of income and expenditure.

The net effect of this reclassification is as follows:

Statement of Financial Performance

Increase Bad debt written off	-	2 725 748
Decrease Debt Impairment	-	(2 725 748)
	-	-

Agency Fees

An amount of R2 568 592.30 in respect of drivers licences issued was previously disclosed as part of agency services during 2018/2019 financial year. This transaction do not fall within the principal-agent arrangement as the municipality have the ability to use all of the resources that results from this transaction. This revenue have been reclassified as Licenses and Permits.

The reason for this reclassification is to ensure that only transaction that fall within Principal-agent arrangement are disclosed under agency fees line item in compliance with GRAP 109.

The net effect of this reclassification is as follows:

Statement of Financial Performance

Increase Licences and Permits	-	2 568 592
Decrease Agency services	-	(2 568 592)
	-	-

Electricity and Refuse - Penalties imposed

Penalties imposed on the outstanding balances of receivables from exchange transactions (electricity and refuse) were previously disclosed as part of revenue from non exchange transactions. GRAP 108 which became effective for the first time during 2019/2020 financial year, requires interest to be classified either exchange or non-exchange based on the nature of the underlying transactions. As a result of this change, an amount of R1 034 976.47 in respect of the interest levied on outstanding balances of receivables from exchange transactions(electricity and refuse) was reclassified from penalties imposed (Revenue from non-exchange transactions) in to electricity and refuse-penalties imposed (revenue from exchange transactions)

The reason for this reclassification is to comply with GRAP 108

The net effect of this reclassification is as follows:

Statement of Financial Performance

Increase revenue from exchange transactions (penalties imposed-electricity and refuse)	-	1 034 976
Decrease revenue from non-exchange transactions (fines and penalties imposed)	-	(1 034 976)
	-	-

Property, plant and equipment

Certain land of an amount of R69 502 363 which were reserved for construction of roads were incorrectly classified roads assets in previous years. Even though these assets were classified as roads, no depreciation was charged for all prior years therefore the misclassification did not have any impact on the accumulated surpluses.

The reason for this reclassification is to ensure that all vacant land are classified as such to comply GRAP 17 requirements.

The net impact of this reclassification is as follows:

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020 2019

60. Reclassifications (continued)

Statement of Financial Position

Increase Land	-	69 502 363
Decrease roads infrastructure	-	(69 502 363)
	-	-

Current portion of employee benefit obligation.

Current portion of post retirement medical aid and long service awards amounting to R764 000 and R686 000 respectively have been reclassified from provisions into current portion of employee benefits obligation.

The reason for this reclassification is to ensure employee benefits obligations are correctly classified as such.

The net impact of this reclassification is as follows:

Statement of Financial Position

Increase Current portion of employee benefits obligation	-	1 450 000
Decrease provisions	-	(1 450 000)
	-	-

61. Change in estimate

Community Assets

The useful life of certain Community assets and Recreational facilities were estimated to be 20- 30 years. In the current period management have revised their estimate to be 20 to 41 years. The effect of this revision has decreased the depreciation charges for the current and future periods by R224 047

Vehicles

The useful life of Vehicles was estimated to be 5 -10 years. In the current period management have revised their estimate to 5-16 years. The effect of this revision has decreased the depreciation charge for the current and future periods by R 1 199 680

Furniture and office equipment

The useful life of certain furniture and equipment was estimated to be 7-10 years. In the current period management have revised their estimate to 7-18 years. The effect of this revision has decreased the depreciation charge for the current and future periods by R 198 051

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020

2019

61. Change in estimate (continued)

Intangible Assets

The useful life of certain intangible assets was estimated to be 3 years. In the current period management have revised their estimate to 3-4 years. The effect of this revision has decreased the depreciation charge for the current and future periods by R 79 317.

Computer Equipment

The useful life of certain computer equipment was estimated to be 5-15 years. In the current period management have revised their estimate to 5-16 years. The effect of this revision has decreased the depreciation charge for the current and future periods by R111 127.95

Machinery and Equipment

The useful life of certain machinery equipment was estimated to be 4-15 years. In the current period management have revised their estimate to 4-16 years. The effect of this revision has decreased the depreciation charge for the current and future periods by R130 566.74

Roads Infrastructure

The useful life of certain roads infrastructure was estimated to be 30-40 years. In the current period management have revised their estimate to 30-41 years. The effect of this revision has decreased the depreciation charge for the current and future periods by R1 184 592.69

Storm Water Infrastructure

The useful life of certain storm water infrastructure was estimated to be 10-30 years. In the current period management have revised their estimate to 10-33 years. The effect of this revision has decreased the depreciation charge for the current and future periods by R20 919.81

62. Changes in accounting policy

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

GRAP 108
GRAP 109

GRAP 109 - Accounting by Principal Agent

During the year, the Municipality changed its accounting policy regarding the treatment of transaction resulting from the Principal-Agent arrangement. In order to conform with the benchmark treatment in terms of GRAP109. The Municipality now do not account for revenue, expenditure and VAT Input resulting from the Integrated National Electrification Programme Grant related transactions on electrification project that the municipality undertake on behalf of Eskom. GRAP 109 became effective during the year under review.

GRAP 108 - Statutory Receivables

During the year, the Municipality changed its accounting policy with respect to the treatment of statutory Receivable and Interest charged on statutory receivables. In order to conform with the benchmark treatment in terms of GRAP108. The Municipality now recognises interest and any other charges as part of the subsequent measurement of a statutory receivable when it is required or entitled to do in terms of the legislation, supporting regulations, by-laws or similar means. Any interest levied by the municipality on statutory receivables is classified as either exchange or non-exchange revenue based on the nature of the underlying transactions and in accordance with GRAP 9 or GRAP 23.

The aggregate effect of the changes in accounting policy on the financial statements for the year ended 30 June 2019 is as follows:

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020

2019

62. Changes in accounting policy (continued)

Statement of financial position

VAT Payable

Previously stated	-	555 398
Adjustment	-	444 668
	-	1 000 066

Opening Accumulated Surplus

Previously stated	-	896 854 292
Adjustment	-	(444 668)
	-	896 409 624

Statement of Financial Performance

63. Contingent Liabilities

Contingent liabilities as at 30 June 2020

R Mall v uMlalazi Municipality (Ref: BU000). Claim arising from the alleged removal of certain structures on the remainder of Erf 436, Eshowe to the amount of R50 000.

The Nigel Williamson Trust v uMlalazi Municipality (Ref: BU001). Claim arising from a property rates dispute on Erf 331, Mtunzini to the amount of R20 000.

Ighora Construction v uMlalazi Municipality. Claim arising from the termination of road construction contract at the King Dinizulu Suburb to the amount of R10 754 222.

Sibgem v uMlalazi Municipality. Claim arising from the termination of Project Management Unit Services contract to the amount of R702 240.

Mgamule Consulting v/s uMlalazi Municipality. Claim arising from breach of consulting contract for the Kwabulawayo Sports Field to the amount of R1 002 251.

Mucoque v uMlalazi Municipality. Review of an arbitration award for reinstatement in the Labour Court.

Abednigo Shabalala v/s uMlalazi Municipality: Letter of demand in relation to Section 29 of the Small Claim Court Act of 1984. The claim is for damages against uMlalazi Municipality for medical expenses for injury caused by Lucky Gumede (uMlalazi Municipality Employee) on 22 October 2015.

Idah Gartrell v/s uMlalazi Municipality: Letter of demand by employee regarding claim for damages against uMlalazi Municipality for medical expenses for injury caused when she fell down.

Sduduzo Mathonsi v/s uMlalazi Municipality: Claim of R38 000 arising from damages caused to the plaintiff's vehicle when it drove into a drain hole allegedly left open by the Municipality.

Bamr Magis v/s uMlalazi Municipality: Interdict by applicant preventing Municipality from closing down his business. Applicant does not have a trading licence. Neither does he have a lease agreement with the Landlord (ITHALA).

Priscilla Chetty v/s uMlalazi Municipality: Unfair labour practice relating to promotion.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020

2019

64. Financial risk management

Financial risk management

The Municipality's activities expose it to a variety of financial risks: cash flow risk, credit risk and liquidity risk.

The Municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Municipality's financial performance. The risk policy provides written principles for overall risk management, as well as written policies covering specific areas, such as, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

The Municipality's risk to liquidity is a result of the funds available to cover future commitments. The Municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The Municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2020	2019
Receivables from exchange transactions	20 976 925	15 318 635
Receivables from non-exchange transactions	11 307 747	23 990 729
Current portion of loans receivable	15 349	15 349
Cash and cash equivalents	126 350 309	113 193 775

The risk relating to short term deposits is minimised due to the nature of the Municipality finance structure.

The risk relating to cash and cash equivalent is minimised as the municipality only deposits cash with major banks with high quality credit standing.

Credit Risk

Loans Payables	342 816	342 816
Payables from exchange transactions	36 807 567	35 646 955
Consumer deposits	2 797 447	2 561 779
Unspent conditional grants receipts	1 707 322	4 458 761
Povisions	17 279 965	10 924 065
VAT Payable	2 173 693	1 000 066
Current portion of employee benefits obligation	1 235 294	1 450 000
	62 344 104	56 384 442

Current Assets	161 883 742	155 634 963
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Current Liabilities	62 344 104	56 384 442
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Current assets as a percentage of current liabilities 260% (2019-276%)

Current assets to current liabilities ratio: 2.60:1 (2019 - 2.76:1)

The generally accepted norm for this ratio 1.5:1. The higher the ratio, the more liquidity the municipality, and the better chances of meeting short term debt with short term liquid resources.

UMLALAZI MUNICIPALITY

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand

2020

2019

65. Going concern

We draw attention to the fact that at 30 June 2020, the Municipality had an accumulated surplus (deficit) of R 908 857 993 and that the Municipality's total assets exceed its liabilities by R 913 921 131.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Municipality to continue as a going concern is dependent on a number of factors which includes among others the following:

- a) The Municipality will continue charging rates in accordance with Local Government: Municipal Property Rates Act.
- b) National Treasury and other Provincial Departments will continue to provide Grants in terms of the Division of Revenue Act.
- c) The Municipality did not lose any of its key suppliers.
- d) The Municipality does not experience labour difficulties.
- e) The Municipality does not have shortage of important Suppliers.
- f) Financial indicators (ratios, financial results, bank account balance and net asset) are all positive and within acceptable norms.

UMLALAZI MUNICIPALITY

Appendix A

June 2020

Schedule of external loans as at 30 June 2020

	Balance at 30 June 2019	Received during the period	Redeemed written off during the period	Balance at 30 June 2020		
	Rand	Rand	Rand	Rand	Rand	Rand
Loan Stock	-	-	-	-	-	-
Structured loans	-	-	-	-	-	-
Funding facility	-	-	-	-	-	-
Development Bank of South Africa	3 428 156	-	342 816	3 085 340	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	3 428 156	-	342 816	3 085 340	-	-
Bonds	-	-	-	-	-	-
Other loans	-	-	-	-	-	-
Lease liability	-	-	-	-	-	-
Annuity loans	-	-	-	-	-	-
Government loans	-	-	-	-	-	-
Total external loans	3 428 156	-	342 816	3 085 340	-	-

APPENDIX B

uMLALAZI MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2020

	Opening Balance	2019/2020			Opening Balance	2019/2020			Opening Balance	2019/2020			Opening Balance	2019/2020			Carrying Value	
		Additions	Disposals	Closing Balance		Additions	Disposals	Closing Balance		Additions	Disposals	Closing Balance		Additions	Disposals	Closing Balance		
	30/06/2019	2019/2020	2019/2020	30/06/2019		2019/2020	2019/2020	2019/2020		30/06/2019	2019/2020	2019/2020		30/06/2019	2019/2020	2019/2020	2019/2020	
Land	R 199 088 527	R -	R (305 647)	R 198 782 880	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -	R 198 782 880	
Community assets	365 441 919	14 063 384	(358 460)	379 146 842	(117 039 427)	(16 689 993)	304 467	(133 424 953)	(12 399 286)	(4 184 613)	45 298	(16 538 600)	229 183 289					
Vehicles	32 978 612	11 416 209	(934 151)	43 460 671	(20 761 020)	(2 798 130)	815 045	(22 744 106)	(80 943)	-	27 763	(53 180)	20 663 385					
Roads	457 556 942	28 677 925	-	486 234 867	(195 673 382)	(16 194 867)	-	(211 868 249)	(4 733 108)	(6 117)	-	(4 739 224)	269 627 394					
Bridges - Pedestrian	156 243	-	-	156 243	(19 365)	(5 293)	-	(24 659)	-	-	-	-	131 584					
Bridges - Vehicles	6 273 576	-	-	6 273 576	(2 073 167)	(257 814)	-	(2 330 981)	(43 615)	-	-	-	(43 615)	3 898 981				
Road Municipal concrete surface	-	1 341 576	-	1 341 576	-	(133 792)	-	(133 792)	-	-	-	-	1 207 784					
Roads - Asphalt basis/Structure	134 917 289	-	-	134 917 289	(70 916 098)	(3 685 472)	-	(74 601 570)	(263 254)	-	-	-	(263 254)	60 052 466				
Roads - Asphalt surface	119 191 827	2 513 350	-	121 705 177	(24 926 166)	(4 618 494)	-	(29 544 660)	(809 666)	-	-	-	(809 666)	91 350 851				
Roads - Causeways	11 997 056	-	-	11 997 056	(4 054 175)	(597 140)	-	(4 651 315)	-	-	-	-	7 345 740					
Roads - Earthworks	98 861 236	-	-	98 861 236	(50 232 012)	(3 179 722)	-	(53 411 734)	-	-	-	-	45 449 502					
Roads - Gravel surface	28 996 957	-	-	28 996 957	(15 419 193)	(1 927 700)	-	(17 346 893)	(2 877 717)	-	-	-	(2 877 717)	8 772 347				
Roads - Guardrail	367 937	-	-	367 937	(4 376)	(12 264)	-	(16 641)	-	-	-	-	351 296					
Roads - Kerb and Channels	35 285 807	211 121	-	35 496 927	(23 520 149)	(1 004 618)	-	(24 524 766)	(177 834)	-	-	-	(177 834)	10 794 327				
Roads - Pedestrian footpaths	5 083 356	2 451 579	-	7 534 935	(1 794 053)	(191 994)	-	(1 986 047)	(557 075)	-	-	-	(557 075)	4 991 813				
Roads - Roundabout	781 088	-	-	781 088	(477 629)	(22 823)	-	(500 452)	-	-	-	-	280 636					
Roads - Speed Humps	1 333 742	108 625	-	1 442 367	(208 208)	(47 237)	-	(255 444)	(3 490)	(6 117)	-	-	(9 606)	1 177 316				
Roads - Street lighting	3 583 875	-	-	3 583 875	(1 527 965)	(119 753)	-	(1 647 718)	(458)	-	-	-	(458)	1 935 699				
Roads - Traffic lights	469 020	-	-	469 020	(199 517)	(20 579)	-	(220 096)	-	-	-	-	-	248 924				
Roads - Traffic signs	1 169 168	-	-	1 169 168	(101 263)	(77 739)	-	(179 002)	-	-	-	-	-	990 166				
Storm water - Kerb inlets	804 730	-	-	804 730	(11 967)	(24 959)	-	(36 927)	-	-	-	-	-	767 804				
Storm water - Masonry structures	1 729 084	-	-	1 729 084	(51 311)	(86 458)	-	(137 770)	-	-	-	-	-	1 591 314				
Storm water - RC structures	4 375 853	94 614	-	4 470 467	(136 769)	(181 015)	-	(317 784)	-	-	-	-	-	4 152 683				
Work in progress	2 179 099	21 957 061	-	24 136 161	-	-	-	-	-	-	-	-	-	24 136 161				
Storm water	101 546 611	1 486 680	-	103 033 291	(57 479 031)	(3 112 058)	-	(60 591 088)	(1 469 577)	-	-	-	(1 469 577)	40 972 626				
Storm water - Channels	45 674 074	232 698	-	45 906 772	(20 124 481)	(1 494 001)	-	(21 618 482)	(1 349 921)	-	-	-	(1 349 921)	22 938 370				
Storm water - Kerb inlets	8 458 706	59 820	-	8 518 525	(6 203 238)	(209 963)	-	(6 413 201)	(12 030)	-	-	-	(12 030)	2 093 294				
Storm water - Masonry structures	4 521 561	277 270	-	4 798 831	(2 252 101)	(212 176)	-	(2 464 277)	(14 664)	-	-	-	(14 664)	2 319 890				
Storm water - Pipes	31 839 680	-	-	31 839 680	(21 912 552)	(686 126)	-	(22 598 678)	(128)	-	-	-	(128)	9 240 874				
Storm water - RC structures	9 519 243	557 420	-	10 076 662	(6 986 659)	(406 074)	-	(7 392 733)	(92 835)	-	-	-	(92 835)	2 591 095				
Storm water channels	-	1 892 821	-	1 892 821	-	(103 718)	-	(103 718)	-	-	-	-	-	1 789 103				
Work in progress	1 533 348	(1 533 348)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Electrical	69 675 725	638 471	-	70 314 195	(28 513 197)	(2 546 366)	-	(31 059 563)	(1 659 633)	(284 515)	-	(1 944 148)	37 310 483					
Electrical - Cables	15 966 969	-	-	15 966 969	(8 825 034)	(530 699)	-	(9 355 733)	-	-	-	-	6 611 236					
Electrical - Mini substations	13 951 509	-	-	13 951 509	(5 039 301)	(479 900)	-	(5 519 201)	(291 168)	(26 266)	-	(317 434)	8 114 874					
Electrical - Perimeter protection	218 592	-	-	218 592	(183 762)	(12 352)	-	(196 114)	-	-	-	-	22 478					
Electrical - Ring main unit	3 152 968	-	-	3 152 968	(547 463)	(107 222)	-	(654 686)	(76 306)	-	-	-	(76 306)	2 421 976				
Electrical - Substation switchgears	25 239 544	-	-	25 239 544	(8 931 026)	(878 777)	-	(9 809 803)	(1 024 555)	(253 942)	-	(1 278 497)	14 151 243					
Electrical - Substations	3 563 940	-	-	3 563 940	(1 233 831)	(138 480)	-	(1 372 311)	(117 814)	-	-	-	(117 814)	2 073 815				
Electrical - Transformers	7 582 203	-	-	7 582 203	(3 752 780)	(398 761)	-	(4 151 541)	(149 789)	(4 306)	-	(154 096)	3 276 566					
Substation Switchgear	-	638 471	-	638 471	(175)	-	-	(175)	-	-	-	-	638 296					
Computer equipment	13 279 146	705 348	(346 924)	13 637 570	(5 881 966)	(1 637 408)	319 829	(7 199 545)	(21 668)	4 522	(17 146)	6 420 879						
Furniture and equipment	8 272 905	150 001	(93 558)	8 329 348	(5 362 114)	(640 809)	85 434	(5 917 489)	(139 047)	1 956	(137 091)	2 274 767						
Machinery and equipment	7 726 972	1 169 953	(70 468)	8 826 457	(4 645 810)	(775 934)	63 177	(5 358 567)	(14 667)	4 749	(9 918)	3 457 972						
Property, plant and equipment (Note 7)	1 255 567 359	58 307 969	(2 109 209)	1 311 766 120	(435 355 947)	(44 395 565)	1 587 952	(478 163 560)	(20 517 929)	(4 475 245)	84 288	(24 908 886)	808 693 674					
Heritage assets (Note 12)	10 311 344	-	-	10 311 344	-	-	-	-	-	-	-	-	10 311 344					
Investment properties (Note 11)	18 782 000	7 147 000	-	25 929 000	-	-	-	-	-	-	-	-	25 929 000					
Intangible assets (Note 10)	1 537 068	-	-	1 537 068	(964 081)	(226 050)	-	(1 190 131)	-	-	-	-	346 938					
	1 286 197 771	65 454 969	(2 109 209)	1 349 543 532	(436 320 028)	(44 621 615)	1 587 952	(479 353 691)	(20 517 929)	(4 475 245)	84 288	(24 908 886)	845 280 956					

UMLALAZI MUNICPALITY

Appendix C

Actual versus budget - Statement of Financial Performance per vote

	2020 Budget R	2020 Actual R	2020 Variance R	2020 Variance %
Community Services	130 503 710	102 776 042	27 727 668	21%
Corporate Services	43 062 330	40 686 570	2 375 760	6%
Engineering Services	134 657 140	122 610 302	12 046 838	9%
Financial Services	39 151 180	27 500 375	11 650 805	30%
Mayoral Office	81 263 560	74 115 520	7 148 040	9%
Municipal Manager	8 393 320	8 736 395	-343 075	-4%
Planning And Development	73 324 670	72 008 643	1 316 027	2%
Total	510 355 910	448 433 846	61 922 064	

UMLALAZI MUNICIPALITY

Appendix D (1)

Actual versus budget - revenue by source and expenditure by type

	Budget R	Actual R	Variance R	Variance %
Revenue by source				
Revenue from exchange transactions				
Service charges	86 729 430	82 909 554	3 819 876	4%
Rental facilities and equipment	1 449 700	1 389 588	60 112	4%
Interest earned - external investments	9 145 320	10 891 756	-1 746 436	-19%
Agency service	1 836 420	1 091 785	744 635	41%
Licences and permits	2 370 630	1 512 059	858 571	36%
Other Income	2 220 200	3 014 635	-794 435	-36%
Gain on disposal of assets and liabilities	400 000	-75 572	475 572	119%
Fair value adjustments	700 000	7 038 000	-6 338 000	-905%
Total revenue from exchange transactions	104 851 700	107 771 805	-2 920 105	
Revenue from non- exchange transactions				
Taxation revenue				
Property rates	56 509 900	55 345 129	1 164 771	2%
Licences and permits (non-exchange)	13 290	3 878	9 412	71%
Fines and penalties	47 979 610	7 324 259	40 655 351	85%
Transfer revenue				
Government grants & subsidies	301 123 260	290 727 178	10 396 082	3%
Total revenue from non-exchange transactions	405 626 060	353 400 444	52 225 616	
Total revenue	510 477 760	461 172 248	49 305 512	
Expenditure by type				
Employee Related Cost				
Remuneration of Councillors	147 666 770	158 752 978	-11 086 208	-8%
Bad Debts Written Off	22 957 210	22 326 141	631 069	3%
Depreciation and Amortisation	46 201 600	3 124 811	43 076 789	93%
Bulk Purchases	52 290 040	49 096 859	3 193 181	6%
Interest, Dividends and Rent on Land	59 031 250	57 485 103	1 546 147	3%
Contracted Services	314 690	405 720	-91 030	-29%
Inventory Consumed	122 298 360	106 646 032	15 652 328	13%
Operating Leases	11 292 560	8 665 231	2 627 329	23%
Operational Cost	3 744 490	3 177 986	566 504	15%
Transfers and Subsidies	38 202 280	34 344 073	3 858 207	10%
	6 356 660	4 408 912	1 947 748	31%
Total expenditure	510 355 910	448 433 846	61 922 064	
Surplus for the year	121 850	12 738 402	-12 616 552	

UMLALAZI MUNICPALITY

Appendix D (2)

Actual versus budget - acquisition of property plant and equipment per vote

	2020 Budget	2020 Actual	2020 Variance	2020 Variance	Explanations of significant variances greater than 10% versus budget
	R	R	R	%	
Community Services	12 655 700	11 578 624	1 077 076	9%	
Corporate Services	17 356 110	12 530 691	4 825 419	28%	
Engineering Services	37 938 130	33 283 649	4 654 481	12%	
Financial Services	585 220	342 938	242 282	41%	
Mayoral Office	150 000	-	150 000	100%	
Municipal Manager	626 950	508 315	118 635	19%	
Planning And Development	262 400	63 751	198 649	76%	
	69 574 510	58 307 968	11 266 542		

APPENDIX E
uMLALAZI MUNICIPALITY

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA (ACT NO. 56 OF 2003)

FOR THE YEAR ENDED 30 JUNE 2020

Grants and Subsidies Received

DEPARTMENT OF CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS

DETAILS	OPENING BALANCE	ROLL-OVER (NOT APPROVED)	RECEIVED	EXEPENDITURE TRANSFERRED TO REVENUE	ADJUSTMENT	UNSPENT
GIS SoftWare Grant	-58 987	-	-	-	-	-58 987
Spatial Development Framework Grant	-593 000	-	-	468 050	-	-124 950
	-651 987	-	-	468 050	-	-183 937

NATIONAL TREASURY

DETAILS	OPENING BALANCE	APPROVED ROLL-OVER (NOT)	RECEIVED	EXEPENDITURE TRANSFERRED TO REVENUE	ADJUSTMENT	UNSPNT
Municipal Infrastructure Grant	-1 352 219	-	-40 380 000	41 732 219	-	-0
Financial Management Grant	-802	-	-1 770 000	1 770 802	-	-0
Expanded Public Works Programme Integrated Grant	0	-	-3 068 000	3 068 000	-	0
Disaster Management Grant COVID19	-	-	-745 000	745 000	-	-
	-1 353 020	-	-45 963 000	47 316 020	-	-0

DEPARTMENT OF HUMAN SETTLEMENTS

DETAILS	OPENING BALANCE	ROLL-OVER (NOT APPROVED)	RECEIVED	EXEPENDITURE TRANSFERRED TO REVENUE	ADJUSTMENT	UNSPNT
Sunnydale Low Cost housing grant	-393 972	-	-	-	-	-393 972
Rural Housing project grant	-2 033 667	-2 033 667	-49 995 040	54 062 374	-	-0
Tittle Deeds Registration	-	-	-1 191 699	88 400	-	-1 103 299
	-2 427 639	-2 033 667	-51 186 739	54 150 774	-	-1 497 271

DEPARTMENT OF ARTS AND CULTURAL

DETAILS	OPENING BALANCE	ROLL-OVER (NOT APPROVED)	RECEIVED	EXEPENDITURE TRANSFERRED TO REVENUE	ADJUSTMENT	UNSPNT
Museum subsidies	-	-	-368 000	368 000	-	-
Provincialisation of Libraries	-	-	-4 190 000	4 190 000	-	-
Community Library Services Grant	-	-	-420 000	420 000	-	-
	-	-	-4 978 000	4 978 000	-	-

DEPARTMENT OF SPORT AND RECREATION

DETAILS	OPENING BALANCE	APPROVED ROLL-OVER (NOT)	RECEIVED	EXEPENDITURE TRANSFERRED TO REVENUE	ADJUSTMENT	UNSPNT
Maintenance of sport facilities grant	-	-	-	-	-	-
Sports facilities grant	-	-	-	-	-	-

DEPARTMENT OF MINERALS AND ENERGY

DETAILS	OPENING BALANCE	APPROVED ROLL-OVER (NOT APPROVED)	RECEIVED	EXEPENDITURE TRANSFERRED TO REVENUE	ADJUSTMENT	UNSPNT
Integrated national electrification programme grant	-	-	-7 000 000	7 000 000	-	0
	-	-	-7 000 000	7 000 000	-	0

KIND CETSHWAYO DISTRICT MUNICIPALITY

DETAILS	OPENING BALANCE	APPROVED ROLL-OVER (NOT APPROVED)	RECEIVED	EXEPENDITURE TRANSFERRED TO REVENUE	ADJUSTMENT	UNSPNT
Coastal Management Programme Grant	-17 214	-	-	-	-	-17 214
Informal Traders Training Grant	-8 900	-	-	-	-	-8 900
	-26 114	-	-	-	-	-26 114

TOTAL GRANTS	-4 458 760	-2 033 667	-109 127 739	113 912 845	-	-1 707 322
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